# STRATEGIC MERGERS IN HIGHER EDUCATION

RICARDO AZZIZ, GUILBERT C. HENTSCHKE,
LLOYD A. JACOBS & BONITA C. JACOBS

VISIT…



"Are mergers a shotgun marriage or a marriage made in heaven—or both? The authors walk us through the ins and outs of an increasingly important topic in higher education with rich examples and a paucity of jargon. Thoughtful. Compelling."—Adrianna J. Kezar and William G. Tierney, Co-directors, Pullias Center for Higher Education, University of Southern California

"As mergers and major campus transformations increasingly become the focus for institutional leaders, we must engage our faculty and staff in the development and implementation of our plans. Lack of deliberate, thoughtful engagement with our colleagues could lead to the creation of a culture that is not productive and ultimately detrimental to the new organization. This book provides a great starting point to help consider human capital needs in the transformation process."—Andy Brantley, President and CEO, College and University Professional Association for Human Resources

"The decision to consolidate or merge higher education institutions to address financial sustainability concerns is never easy. This book is an invaluable resource to help ensure that decisions are strategic, well informed, well communicated, and implemented with excellence. A must-read for thoughtful leaders seeking innovative solutions."
—Anne Ollen, Senior Director, TIAA Institute

"Mergers and acquisitions aren't part of a distant higher ed future—they are a present-day reality. This book provides a roadmap to understanding mergers not as a measure of last resort but as a proactive and credible option that should be considered. It is a must-read for any leader considering a merger."—Amit Mrig, President, Academic Impressions

"One of the very few certainties for America's colleges and universities is that many of their core historical assumptions are open to reexamination. One of these involves governance and management, exploring the possibility of combining institutions in a variety of configurations. For those seeking a new volume that will test their beliefs in this arena, and even legitimately claim to be both a 'how to' and a 'should we,' this is the one."—Barry Munitz, Chancellor Emeritus, California State University

"A timely guide for when and how to merge colleges and universities, this book examines successful mergers like that of the University of Toledo and the Medical University of Ohio, which happened on my watch. It will inspire and inform higher education leaders everywhere."—Bob Taft, former Governor, State of Ohio

"Mirroring the trends in many industries, mergers of higher education institutions are increasingly frequent. While much has been written about this growing trend in business, this book uniquely addresses the special considerations for colleges and universities and provides critical advice to leaders responsible for designing and implementing strategies to effectively position their institutions in this new reality."
—Claire Pomeroy, MD, President, Albert and Mary Lasker Foundation

"A very strong, practical contribution that will be useful to higher education leaders, governing boards, faculty leaders, scholars of higher education, and policy makers.

The timeliness of the book makes it particularly important."—David J. Chard, Dean ab interim, Boston University

"Our colleges and universities are reimagining their future existence in order to educate the new majority and be vital to society. One of the options available to campuses is mergers. This book will provide boards of trustees, presidents, and policy makers the necessary information to have on hand as a merger is being considered. It is indispensable."—Mildred Garcia, President, American Association of State Colleges and Universities

"*Strategic Mergers in Higher Education* presents a significant compendium of transformative options that recognize a massive postsecondary infrastructure that we as a nation can no longer afford. More importantly, it is a handbook for the future. A very succinct example of the power of systemness."—Nancy Zimpher, Chancellor Emerita, State University of New York

"A quality education is one that leads to a job and a lifetime of opportunity after graduation. In order to lead to that future of promise, we must first provide students with a sound education, delivered in an efficient, cost-effective way. That's ultimately what *Strategic Mergers in Higher Education* is all about: how to give the students of today an education worthy of the jobs of tomorrow, in the twenty-first century and beyond. But preparing for what the future holds can at times be difficult and requires letting go of the precepts of the past. Places of learning all around our country can learn from the work thoughtfully presented in this book."—Nathan Deal, former Governor, State of Georgia

"Academic mergers are usually harder than business mergers because of heightened branding, location, and political considerations, including faculty concerns. However, finances, technology, student demographics, and other factors sometimes require looking at options that include a merger. This book is written by people who have lived through the issues and provides an intelligent look at the changing landscape."
—Peter McPherson, President, Association of Public and Land-grant Universities

"Mergers in higher education are a central reality of contemporary academe, in the United States and globally. This unique book provides a multifaceted discussion of mergers based both on a thorough survey of available research and on practical experience. It is a valuable addition to our knowledge and comes at the right time."
—Philip G. Altbach, Director, Center for International Higher Education, Boston College

"In 2011, the University System of Georgia announced a systematic plan to consolidate some of our thirty-five public universities. This book addresses many of the complexities of mergers and is a must-read for governing boards considering a merger. It is both an overview of the rationale for merger and a realistic look at the details of merger, written by presidents who provide a unique, experienced view of the complexities of mergers. In Georgia's case, the results are worth the effort."—Steve Wrigley, Chancellor, University System of Georgia

# Strategic Mergers in Higher Education

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Ricardo Azziz, Guilbert C. Hentschke,
Lloyd A. Jacobs, and Bonita C. Jacobs



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# Strategic Mergers in Higher Education

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# Introduction

Heading toward the stage, walking the sloping carpeted aisle of the old auditorium, her mind struggled with how to communicate what was coming. How to frame the message, to minimize fear, concern, and . . . yes, outright hostility? How to remind them of the possibilities of the future? And how best to position it not as a "takeover" where there are winners and losers, but as an opportunity where everybody gains—but not without some pain. The auditorium, with its well-worn wooden folding seats and indeterminate smell of age and tradition, was starting to fill for the hastily called town hall. As students, faculty, and staff streamed in through the two open double doors at the head of each aisle, she climbed the podium to the lectern that had been placed to the right of the stage, with the foam-board insignia of the college affixed to its front. The large salon continued to fill from the back forward, with the exception of a few of the administrators, who braved sitting in the front two rows. Although speculation had been rampant for months, only last night had she received the call from the system head, officially letting her know that their governing board would be announcing today that the university she oversaw would be "consolidating" with a nearby sister college, and that she would be the lead chief executive of the new "merged" institution, responsible for ensuring a timely and smooth transition. The transformation was expected to deliver lower costs, eliminate redundancies, and offer better value to the students and the community—all while managing whatever cultural clashes may develop between the administrators, students,

faculty, alumni, and philanthropic foundations and donors of two very different institutions. Institutions with dissimilar histories, missions, and visions. A transition that would have to minimize the fear of change, especially of job loss, in a community where the schools were the top employers in the region. And what was worse, neither she nor her chancellor had ever managed a university merger . . . or any transformation even remotely as monumental. And she didn't know anybody who had. She collected her thoughts and tapped the microphone sharply with her index finger. The sound resonated through the packed hall, and the furious buzzing that was present began to immediately dampen until all fell quiet. She cleared her throat and began. "Students, colleagues, and friends, we have before us a great challenge. And a great opportunity."

■ ■ ■

Competition and the need for greater efficiency for all higher education institutions are on the rise, and the closure and merger rates of colleges and universities are predicted to increase significantly in the coming decade. Consequently, much has been written about the many organizational options that institutional leaders should be considering, including developing systems of shared services to shared campuses, affiliations, partnerships, and cobranding efforts. Mergers and consolidations of university and colleges are most often presented as the option of last resort. And little has been presented concerning how to manage the actual merger process.

While the decision to merge institutions is never easy, many institutions and their leaders should consider it deliberately and proactively. But change is hard, and more so in higher education. The challenge facing leaders attempting to undertake and manage this degree of institutional transformation—transmogrification to some—is frankly formidable.

Governing boards, chief executives, and their teams need to be as informed as possible regarding the true value of mergers, the predictors of and necessary elements for success, common strategies, tactics, pitfalls and challenges of undertaking these transformations, and expected outcomes. This book will come in handy on all of these fronts.

A number of excellent reports, books, monographs, and dissertations have been published previously examining mergers in higher education in

Australia, China, Europe, South Africa, the United States, and elsewhere. *So, what has changed now to merit a new text on the subject?*

First, while much had been written on mergers, most rested on individual case reports and dealt with the theory of mergers and organizational change. Essentially, few were focused on the *how*. Those of us who led mergers found ourselves swimming in unknown and choppy waters, with little guidance other than "no two mergers are the same." This adage, while possibly true in the factual sense, ignores the many general principles that can arise from the study of mergers and the leaders who managed them.

Second, we have many more mergers to garner information from. Our analyses and recommendations are based primarily, although not exclusively, on over one hundred mergers occurring in the United States since 2000. This experience is augmented greatly by what we call the "Georgia Experiment" in the United States, in which, first, the Technical College System of Georgia merged twenty-one technical colleges into ten, and, second, the University System of Georgia has so far undertaken nine pairs of mergers of a wide variety of institutions.

Lastly, the environment in which US higher education is operating today is competitively much more challenging than at any other time since its post–World War II apogee, and, as mentioned, the rate of and urgency for mergers is increasing. Thus there is urgency to better understand and describe the why, what, and how of mergers in higher education.

This text has been crafted as a practical go-to guide for higher education campus managers and executives, their boards, and related decision and policy makers, as well as for leaders and teams who must execute the merger once a decision is reached. Those interested in change management, the future of higher education, the challenges faced, and novel approaches that may be taken to address these challenges will also find the text of great interest.

The recommendations and analyses throughout the text are based on various data points, including our aforementioned analysis of more than one hundred merger events occurring in the United States since 2000 and of selected mergers prior to that time, in-depth case studies of selected merger events, and an extensive review of the published literature and of media reports. In addition, the authors benefited from interviews with over thirty leaders who were intimately involved in a wide variety of mergers in higher education. These individuals were generous not only in discussing the many successes they oversaw, but also in providing candid insights into mistakes

and near-misses. Finally, the text gains from the fact that the authors include three higher education leaders who have actually led complex and successful consolidations.

While understanding that perhaps no two mergers are identical, the authors have strived to distill underlying principles and key takeaways to assist leaders in addressing the challenges of current and future mergers. And while respecting the theoretical models that many researchers emphasize, both in mergers and in change management, the text focuses primarily on the practical management and not the theory of mergers. Striving to be eminently accessible, this book is a valuable tool for busy leaders who are considering or already undertaking one of the most complex and risky transformations possible in higher education—the university or college merger.

We have divided the text into four parts. Part I addresses the question, "Why Mergers in Higher Ed?" Part II focuses on those factors necessary for "Increasing the Odds of Merger Success in Higher Ed." Part III addresses more directly the operational issues that must be managed when "Effectively Executing Mergers in Higher Ed." Parts I and II are especially appropriate for those in leadership positions (e.g., governing bodies) who consider, negotiate, and decide on mergers. Part III, while of import to all those involved in the merger, is aimed especially at those leaders and teams tasked with executing the transformation. Part IV summarizes for readers what has been learned so far and what the future of mergers may look like, highlighting also the many questions that remain to be answered.

It is the authors' hope that this text will assist higher education leaders in better understanding the value of mergers as a tactic for institutional growth and renewal—a tactic to be considered proactively, deliberately, and without fear.

# Part I
# Why Mergers in Higher Ed?

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# 1
# Pursuing Sustainability, Breadth, and Excellence through Scale

Even though mergers have been proven to enhance the odds of growth, success, and survival for many enterprises in a wide variety of disciplines and societies, mergers in higher education have been generally shunned—or only considered as a solution of last resort—in extremis. Tragically, many higher education institutions (HEIs) wait until the last possible moment to consider a merger, when all other options have been exhausted, finances depleted, and political capital drained. For many campus executives and governing boards, a merger is something they do not want to even contemplate, perhaps considering it a sign of administrative and leadership failure, although the truth is much to the contrary.

Instead, mergers should be considered a legitimate proactive strategic option. It is no more, or less, than a tactic that should be considered and integrated into the strategic planning of HEIs, with the aim of ensuring success, maximizing quality and service, and yielding the best return for students and faculty.

We understand that change is difficult, especially in higher education. But governing boards, chief executives, and their teams need to be as informed as possible regarding the true strategic value and opportunity of mergers, which is the objective of this book.

## Before We Begin—Getting the Terminology Right

Various terms have been used for HEI unions, including amalgamation, unification, federation, acquisition, takeover, consolidation, and merger. The meanings of these terms vary significantly, however. In fact, the lack of

In higher education, *mergers* are the amalgamation or union of two or more separate institutions to operate under the control of a single governing body. In mergers, at least one, if not both, of the institutions surrenders its legally and culturally independent identity.

a uniform and commonly accepted terminology for HEI mergers exacerbates the conceptual difficulty of mergers in higher education.

The term *consolidation* is often used to describe unions of HEIs, as many observers believe that it has a less threatening and more engaging connotation than *merger*. Yet consolidation is preferably used to refer to "mergers of equals" (Harman and Meek 2002), which few HEI unions are in reality. In fact, the way we measure equality can itself be quite nuanced. Are the institutions equal in terms of student enrollment, number of faculty, or financial resources? How about in influence and political capital? Or name recognition, dedicated alumni, or philanthropic support? For example, in a merger that one of the coauthors managed, one institution had the greater finances, advanced degrees, research portfolio, and state political capital, while the other had athletics with a dedicated following, greater community support, more activist faculty, and a greater number of students. So, even "unequal" institutions are not unequal in the same way.

One approach may be to use the same terminology that most other industries use, that is, *mergers* or *acquisitions*. Mergers and acquisitions (M&As) are transactions in which the ownership of companies, other business organizations, or their operating units are combined or transferred. M&As can allow enterprises to grow, shrink, or change the nature of their business or competitive position, which is common within the private for-profit sector of our economy, where businesses are routinely bought and sold, in whole or in part.

But for HEIs located across all three economic sectors, but primarily in the private not-for-profit and public sectors, the very notion of buying and selling our institutions does not seem factual because their ownership is not generally associated with an individual's rights to buy and sell them. Rather, most not-for-profit or public HEIs can be deemed a social good, "owned" by the broader society.

Even in commercial terms, the distinction between a merger and an acquisition may be less clear. While a dominant entity may absorb a smaller institution, with the latter entity ceasing to exist, the union will often change *both* participants so significantly that it is difficult to assert that the acquiring entity has also not ceased to exist, at least in the manner it previously existed. Such a situation is present in many higher education mergers, where even the acquiring institution often is changed so considerably that although it may continue to exist in name, it is clearly a much different institution than it was previously. Finally, for organizations as culturally and tradition bound, and loosely governed, as HEIs are, being labeled as "acquired" has the real potential of inciting significant pushback from the institutions' many stakeholders.

Thankfully, the general meaning of "merger" is largely self-evident—a way to characterize transactions in which two or more institutions find ways to combine parts or all of themselves with others. In general, mergers of HEIs are the amalgamation or union of two or more separate institutions to operate under the control of a single governing body and where at least one of the institutions surrenders its legally and culturally independent identity.

In this book, we use *merger* for all but the most unusual of unions. Further, while most of the text is focused on those leaders considering or managing a merger, at times it is necessary to assume simultaneously the perspectives of all parties to the potential merger, for example, in chapters 9 and 10, where we review how merger partners are chosen and mergers are negotiated.

### Mergers in Higher Education—Why, and Why Now?

Mergers are commonplace in industries of all stripes. In fact, it is virtually impossible to find an enterprise or institution of any significant size or age that has not been the product of at least one merger (or acquisition) during its history. These unions aim to ensure continued growth and impact, better efficiency, greater economies of scale, increased value, greater competitiveness, and improved chances of long-term survival. And it is not only in industry that we see the power of mergers. The history of human society, from its earliest origins to present day, is also replete with lessons highlighting the power of mergers to create larger, stronger, and more dominant tribes, communities, and nations, all underlined by the general presumption that "bigger is better." At least in most cases.

And yet why should entities like HEIs that have developed their individual identity, traditions, brand, alumni, and reputation, choose to merge, perhaps risking all? To understand this trend, we first must face the fact that, with few exceptions, higher education as a sector is being disrupted, not unlike so many other industries in our society, wrestling to answer its own and others' queries regarding purpose and mission, deliverables and metrics, value and accountability, and financial cost and sustainability while straining to face myriad new and developing challenges (see box 1.1).

These and other challenges are placing significant added financial stress on a sector and on institutions that already operate on minimal margins. It

### Box 1.1 Select Factors Disrupting Higher Education in the United States Today

- **Disruptors to revenues**
  - Declining numbers of high school graduates
  - Changing student demographics and expectations
  - Increasing competition from global and online providers
  - An increasingly unpredictable employment market, with a significant proportion of future jobs yet to be defined
  - Increasing interest in alternatives to the traditional degree structure
  - Declining state and local support
  - Increasing competition for governmental funding by other public service priorities, such as health care and infrastructure development
  - Increasing competition for philanthropic dollars
  - Increasing public resistance and inability to support further tuition and student debt increases
- **Disruptors to costs**
  - Growing pressures to offer new technologies that demand significant investment in the short term
  - Increasing public and governmental oversight and regulation, with increasing compliance and monitoring costs
  - Growing need to measure and demonstrate tangible outcomes rather than merely seat time
  - Increasing employee legacy costs

is no wonder that financial rating agencies have predicted that the closure rates of small colleges and universities will triple and that mergers will double in the coming years (Moody's Investors Service 2015). Consistent with this prediction, 12% of college and university chief business officers surveyed in 2017 stated that serious discussions had taken place among senior administrators at their HEIs about merging with other institutions; such discussions were more common at private than at public colleges (15% vs. 9%, respectively) and particularly high at private institutions that offered graduate degrees (21%) (Jaschik and Lederman 2017). In 2018, nearly all college and university chief executives (i.e., presidents or chancellors) surveyed believed that additional colleges would merge or close that year, with almost 30% predicting that more than ten colleges would do so (Jaschik and Lederman 2018). Fully 13% of presidents surveyed stated that they could see their own college closing or merging in the next five years.

The number of US HEIs that are closing has been on the rise, while the financial viability of other HEIs is in doubt. Of the nearly one hundred private, not-for-profit HEI closures since 2009, three clusters of risk factors were predictive of closure: weaknesses in financial health, in revenue generation, and in financial structure (Azziz et al. 2017). HEIs with more than four individual risk factors were more likely to close rather than merge than those with fewer risk factors. Very small HEIs are most at risk, but all HEIs are experiencing some of the disruptions noted above. Chapter 2 discusses in further depth the current drivers for mergers in higher education, while chapter 3 reviews mergers as a general organizational tactic.

### Mergers in Higher Education—Not New and Not Just in the United States

Mergers of HEIs in the United States are not new. Most public university systems in the United States today are the result of gathering and consolidating of institutions that preexisted the creation of the system under a single oversight body, usually at the state level. A cursory review of the history of the one hundred top-ranked universities in the United States reveals that the vast majority at one time or another experienced at least one merger. Similar efforts to systematically merge public HEIs have been occurring in other parts of the world, including Australia, Canada, China, Europe, and South Africa.

In the United States, the earliest merger of HEIs on record occurred in

The many higher education experiments attempted worldwide and in the United States help develop key guidelines and recommendations for successfully undertaking the coming waves of mergers.

1830 (Steiner 1894, p. 247). Much more recently, mergers of community and technical colleges have occurred in Arkansas, Georgia, Kentucky, and Louisiana, and they are underway in Connecticut. Since 2000, there have been more than one hundred mergers between two or more HEIs in the United States (see Appendix A). The only US large-scale HEI merger effort *beyond* the technical/community college sector has occurred within the University System of Georgia, which we dub the "Georgia Experiment." Chapter 4 further reviews the history of mergers in North America and internationally, and lessons learned from them.

### Categorizing HEI Mergers—Variations on a Theme

Although each merger can be considered unique, there are broad commonalities among different HEI mergers, which are revealing. For example, we find a rough correlation between types of HEIs involved and ease of merging the HEIs. At the "relatively easy" extreme are private institutions, whether *not-for-profit* or *for-profit*, with a common governing board. The decision to consider and undertake these mergers can occur more readily at private institutions, without the significant interference and consideration of local or public officials or of state entities. The decision to merge in this setting could be more "businesslike" . . . if it weren't for the aforementioned challenges inherent to all HEIs.

At the "relatively difficult" extreme are those public institutions that have individual governing boards. In essence, these institutions face the same challenges that private institutions with individual boards do, without the added advantage of being able to reach their decisions free from state, legislative, or community intervention.

Somewhere in the middle are those private institutions with individual boards, which while taking a more businesslike approach to the decision still require individual boards to work together. This generally means that at least one HEI is under significant financial pressure. Also somewhere in the mid-

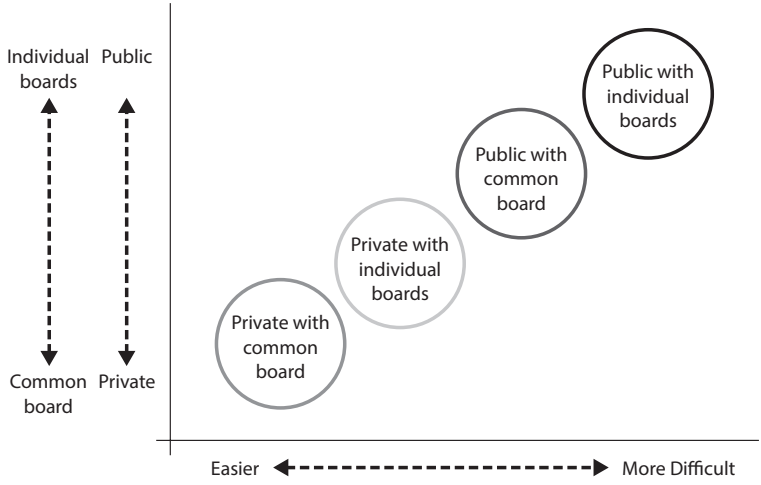



**Figure 1.1.** The difficulty in considering or effecting mergers in HEIs is generally determined by whether the merging HEIs are private or public, and whether the governing boards are individual or common to the merging HEIs.

dle, although perhaps somewhat more challenged, are those public HEIs that are part of a system with one common governing board. Mergers of sister institutions in the same system face the same political interferences that all public institutions do, but they have the advantage of a common (and hopefully fairly unified) oversight board. In general terms, the ease of a merger is driven by two overarching factors: corporate structure (public vs. private) and governing board (individual vs. common) (see fig. 1.1).

Another way to categorize HEI mergers is on the basis of outcome, that is, what happened to the participating HEIs *as a result of* the merger. In this setting, the decision of the regional or national accreditor is the most important determinant. In the corporate world, corporate law determines whether an entity is acquired or merged, but for HEIs, the primary determining party is the institution's accreditor. It is the accreditor that certifies to the federal government and pertinent state entities whether an institution has merged with another, whether a new program is being offered or ceases to be offered, whether a new institution is created by the merger, or whether an institution ceases to exist. In looking across the resulting outcomes of mergers, we identify five types of mergers based on merger results, which we examine in detail in chapter 5 (see box 1.2).

**Box 1.2 Categorizing Mergers of HEI by Outcome**

- **Merger Type 1**: When these HEIs merge, they do so only partially, involving some programs, functions, or departments but not others
- **Merger Type 2:** When these HEIs merge, some part of one HEI is absorbed into another HEI, and it disappears from the original institution
- **Merger Type 3:** When these HEIs merge, one HEI is absorbed into another but retains its functional identity
- **Merger Type 4:** When these HEIs merge, one HEI is absorbed into another, without retaining functional identity
- **Merger Type 5:** When these HEIs merge, both HEIs cease to exist and are blended into a new HEI

### Challenges to Merging HEIs

While the challenges to any merger are many, we identified seven industry-specific attitudes that HEI leaders face in general and, most pointedly, when considering mergers (see box 1.3). Each of these "hurdles"—expanded on below—shape merger consideration in higher education.

*Higher education in America is good—so why change?* Higher education has been a powerful and positive driver of individual wealth and social mobility,

**Box 1.3 Seven Attitudes Affecting the Consideration of Mergers in Higher Education**

- Higher education in America is good—so why change?
- Higher education is not a business—it should be supported by society and government
- Strategic planning is generally incremental—not transformative
- The stakeholder universe is complex and varied—and not of one mind
- Authority in HEIs is widely distributed—and loose
- HEIs are the souls of their communities
- HEI leadership by nature is risk-averse




societal improvement, innovation and discovery, and economic growth. However, most literature acknowledges that while many American universities are well regarded, they are not nimble, with change occurring slowly and incrementally at best (Crow and Dabars 2015). The historical success of higher education blinds us to the enormous headwinds we are experiencing and is lulling many leaders into the assumption that their HEI is "good enough."

The oft-mentioned quote by business guru Jim Collins (2001)—"Good is the enemy of great. And that is one of the key reasons why we have so little that becomes great. We don't have great schools, principally because we have good schools"—is especially appropriate today. Complacency and self-satisfaction among many in higher education blind them to the choppy waters and storms ahead.

*Higher education is not a business.* For many, HEIs are not real "businesses," but rather a public good, and consequently they are assumed to be exempt from the need to follow common business principles. Yet business principles *do* apply to HEIs (see box 1.4). This desire to claim that higher education does not follow common business principles places many HEIs at risk of mismanagement. And difficulty in considering transformative initiatives that are used in other business sectors, such as mergers.

*Strategic planning is incremental, not transformative.* Most strategic plans generated by HEIs have a number of positive attributes—including being inclusive, consensus driven, and moderately aspirational—although they are simultaneously strongly rooted in the institution's understanding of its

**Box 1.4 Example Business Principles That Apply to the Management of HEIs**

- The need to ensure a positive margin versus the hope that external entities will provide the missing margin
- The need to ensure reserves for investment and growth and as protection against unexpected events versus the desire to spend all that is available
- The need for robust active administrative coordination and control of services versus the desire for perfunctory symbolic oversight
- The need to be strategic versus the willingness to let each discipline take the institution where they feel it should go, more often in opposing directions

current state and possibilities. Increasingly, HEI leaders are measured against the deliverables denoted in the strategic plan. All good.

But an important challenge facing institutional mergers is the frequent development of incremental strategic plans, which do not and cannot proactively contemplate or consider significant transformation, including potential mergers. The planning process in most HEIs frequently results in strategic plans that are somewhat generic, with a little bit of something for everyone. They tend to carry "more of the same" into the near-term future, including leadership's determination of what can be achieved with limited risk (often termed "realistic"). Relatively few HEI strategic plans face the hard facts of an uncertain, possibly perilous future while contemplating transformational strategies, including mergers (see fig. 1.2).

*The stakeholder universe is complex, varied, and not of one mind.* In the majority of industries, constituents are generally aligned around the objective of producing a quality good with a significant profit margin, and with authority that is disproportionally allocated to the governing body and administration. Alternatively, in HEIs, the number and voice of stakeholders are much greater, and their priorities vary greatly. The vastness and complexity of the stakeholder universe of HEIs add a significant layer of difficulty to considering mergers, which will be an uncomfortable, if not outright painful, process for most members of the HEI community.

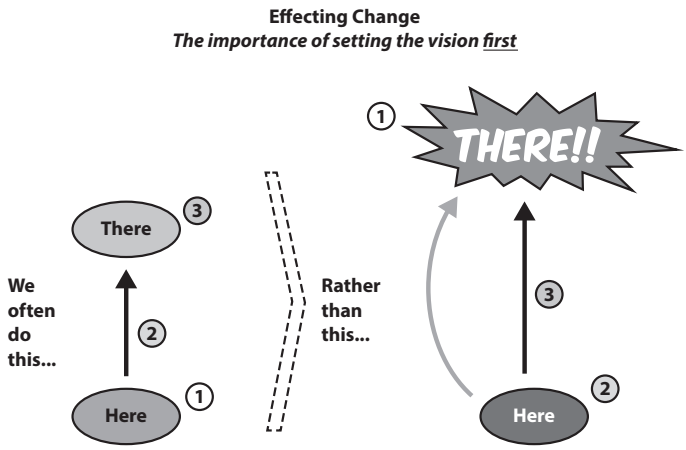



Figure 1.2. Incremental versus transformative strategic planning. In incremental strategic planning (*left*), we figure out (*1*) where we are (strengths, weaknesses, opportunities, threats) and then (*2*) what we can do to (*3*) go further. In transformative strategic planning (*right*), we (*1*) first figure out where we need to be (the *There*) and then (*2*) where we are (strengths, weaknesses, opportunities, threats), so that we can determine (3) a way to get to *There*.

While all may be aligned around providing a quality good, there is often little agreement on what that "quality" or even "good" means, and much less around what the financial margin should be. The professoriate is a critical stakeholder with shared governance power not seen in other industries or institutions, and whose value in higher education reform has been a matter of increasing debate. Leontiades (2007) argues that faculty are a detriment to higher education reform, partly owing to the shared governance model of HEIs, because faculty usually lack managerial decision-making skills or do not directly suffer the consequences of their recommendations. Nonetheless, faculty are a critical part of the stakeholder universe of an HEI, and identifying strategies to positively engage them in the transformations is vital to a merger's success, as we examine in chapters 11 and 17.

Further stakeholders even include individuals who are no longer contractually related to the institution, such as alumni and possibly past or retired faculty, powerful forces in any university. And while students could be considered as "clients," the students' families are often also engaged as active participants. Other powerful HEI stakeholders include the philanthropic community, who play an important part in the destiny of an HEI, and the

local community, of which HEIs are often one of the larger and more significant employers. This broad and disparate universe of stakeholders, many of which have incongruent views of an institution's success, creates significant added difficulty in presenting and thoughtfully considering transformational options, including mergers.

*Authority in HEIs is widely distributed—and loosely coupled.* The distribution of authority is different in HEIs than in most other enterprises. HEIs are what organization theory defines as "loosely coupled" systems or "professional bureaucracies" (Orton and Weick 1990; Gilmore, Hirschhorn, and Kelly 1999; Kezar 2013), where individuals have a high degree of autonomy relative to the larger system of which they are a part. HEI chief executives (e.g., presidents or chancellors), by rightfully supporting academic freedom and shared governance, allocate a significant amount of their executive authority to the faculty, which is quite different than any other industry contemplating a transformational tactic.

*HEIs are the soul of their communities.* As many in higher education recognize, HEIs often play a significant role in determining community and individual sense of pride and spirit. The traditions and history of an HEI are often deeply ingrained in the psyche of a community and the institution's present faculty, staff, and students. And these enterprises are significant determinants of the economy in their locales, often serving as the core of a community's identity, atmosphere, and culture. For a good test of such intangible power, head over to any collegiate football or basketball game.

This strong call of HEIs on the intangibles of heart and soul is one of the great powers of these institutions, driving the loyalty and investment they need. But they also make any rational discussion concerning the future and potential transformation of these institutions that much harder, and often illogical and uncompromising.

*HEI leadership by nature is risk-averse.* A final challenge to considering and implementing mergers in higher education is the culture and approach of HEI leadership to difficult decisions, conflict, risk, and transformation. HEI chief executives prefer to be the bearers of good tidings and "wins." They are the principal cheerleaders for the institution among the faculty, alumni, and philanthropic and local communities. While they receive support from

their staff in providing good news, they receive much less in communicating difficult outlooks and impending challenges. This stance makes it difficult to generate the necessary dialogue and urgency around any transformation.

This risk avoidance in part stems from the highly regulated aspect of the sector, from the incremental linear career paths of most HEI leaders, from the level of public scrutiny experienced, and from the shortening tenure of HEI chief executives. It also is based on the fact that, as mentioned above, the authority of HEI chief executives is shared. Even suggesting a strategic option that may be unpopular with a significant number of the HEI's constituents is anathema to the core of HEI leadership.

This aversion to risk is compounded by the fact that few HEI leaders are comfortable or have had significant experience with "change management" (Kezar 2013). And so we should recognize that transformations, including mergers, are inherently risky—risky to the institution, and even riskier to individual HEI leaders.

Taken together, these industry-specific circumstances increase the challenges that HEI leaders face when considering mergers. They also highlight the key role that governing boards have in moving these types of initiatives forward.

### The Seven Essential Elements for Merger Success

Pursuing a successful merger is, of course, more demanding than merely considering a merger. Previous studies of HEI mergers have isolated several areas that appear to be predictive of merger success or failure (Harman and Meek 2002; Ahmadvand et al. 2012; Higher Education Funding Council for England 2012; Cai and Yang 2016). These represent a blend of leadership behaviors and HEI circumstances, which are often inseparable.

Factors determining merger success include: (1) those that stem from the qualities and power of governance, leadership, and central administration; (2) those that relate to the strategic nature of decision making; (3) those that reflect the efficacy of internal and external institutional relations and communication; (4) those that relate to the complementarity of programs and opportunities; (5) those that allow and foster expedient processes; and (6) those that relate to the sensitive, planful, and deliberate management of human capital needs and concerns. These drivers are examined further in chapter 6.

More importantly, while we understand that no two mergers are exactly

**Box 1.5 The Seven Essential Elements for Merger Success**

**Leadership**

1. A committed and understanding governing body
2. The right leadership

**Communication**

3. A compelling unifying vision
4. An appropriate sense of urgency
5. A robust and redundant communication plan

**Process**

6. A strong project management system
7. Sufficient dedicated resources

the same, and that even when institutions are unequal they are unequal in different ways, our research suggests seven elements that appear to be essential for merger success, and without which a merger effort is likely to abort or fail (see box 1.5). These seven key elements fall into three domains: leadership, communication, and process. Chapter 7 reviews in greater detail the seven essential elements for merger success.

### The Complex Process of Merging HEIs: Considering, Choosing, and Managing Mergers

Much more than a single "act," mergers are a complex process with multiple stages, and researchers differ when defining those stages. We identify five distinct operational phases of the merger process: (1) Exploration and Consideration, (2) Premerger, (3) Merger, (4) Early Postmerger, and (5) Late Postmerger (see fig. 1.3).

The most complex and delicate stage, where most failures occur, is the Exploration and Consideration Phase. Most of the failures of mergers in higher education are, in fact, failures of consideration. The Exploration and Consideration Phase encompasses a number of decision steps that allow governing boards and other leaders to objectively and strategically assess organizational options, risks, and benefits; determine when the time is right; arrive at a decision; and manage communications.

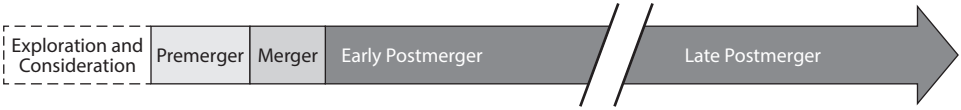



**Figure 1.3.** Relative time line of a merger of HEIs. We identify five distinct phases of the merger process: (1) Exploration and Consideration, (2) Premerger, (3) Merger, (4) Early Postmerger, and (5) Late Postmerger.

Perhaps the most difficult part of the Exploration and Consideration Phase, beyond just the act of actually considering the possibility of a merger, is managing the switch in communication and engagement between the *confidentiality* usually necessary for unhindered exploration, deliberation, and negotiation and the *open dialogue* and public engagement that must occur once a decision is reached. The Exploration and Consideration Phase may vary from a few months to years in some cases. Chapters 8–10 review the processes of considering and deciding on a merger, choosing a merger partner, and negotiating the merger with the chosen partner—what seems to work and what does not.

Once the decision to move forward with a merger is made, the operationally complex part of the process begins. In the Premerger Phase, governing boards must select the right leaders to lead the process, craft a compelling vision, create a sense of urgency, and identify needed resources. These processes are examined in chapters 11 and 12.

The Merger Phase is a relatively short but busy period, when the union becomes consummated per the various regulatory actors, including the institution's governing board, regional accreditors, and the US Department of Education. This period includes drafting the plan for a unified governance and administrative body, merging finance, enrollment, and other systems critical to the approval of the merger, and, if necessary, choosing a name and brand. Managing these processes requires a robust project management system. Once announced, the merger should be executed as rapidly as possible, as time is the enemy of merger success. Chapters 13–16 examine the processes for merging organizational entities and addressing regulatory and legal obligations.

It is helpful to subdivide the postmerger period into an early and a late phase. The Early Postmerger Phase encompasses the first two to three years

following the merger, where much of the immediate unification of administrative and oversight services, selection of brand and names, and finalization in university governance and leadership structure occur.

The Late Postmerger Phase usually begins within two or three years of the merger and continues for perhaps decades. Most scholars note that at least ten years must elapse before one can fully consider whether a merger was successful. During this period, the HEI and its leaders will tackle issues like campus culture, university identity, philanthropic reengagement, development of traditions and symbols, synergizing and leveraging the whole for educational and research programming growth, and building shared services and programs.

Priorities during these later phases include remaining consistent in messaging, respecting and preserving traditions and symbols while creating new ones, and embracing, to the extent possible, the heterogeneity of campus cultures that normally exist in larger HEIs. Chapter 17 outlines in some detail the process for creating long-term cultural identity and alignment.

### The Merger Journey

The merger process resembles a journey in which HEI leaders benefit from mental preparation. Our interviews of HEI leaders revealed three distinct perspectives that aided them in that journey. First, *always expect the unexpected*. Be prepared to be flexible, moving forward those items that can be done easily while giving somewhat more time and opportunity for discourse to those issues that require it. At the same time, ensure that the pace ("drumbeat") of the transformation process does not flag and that the critical financial, regulatory, and legal steps are achieved on time.

Second, *always expect opposition*. The number of individuals that do not like change as great as a merger is not small. The ease and probability of success of mergers will depend in part on the degree of power and dominance that the opposing parties have in the merger decision. For example, an analysis of approximately forty mergers occurring in the United States since 2000 (Azziz et al. 2017) indicated that "successful" mergers seemed to be characterized by constituencies that, even if not fully supportive, were at a minimum either neutral to the merger or not powerful enough to derail the process.

Consequently, success depends on the effective management of those opposing the merger. Effective management includes in part engagement and

> Mergers should be considered a proactive tactic within an institution's strategic plan and vision, but mergers by themselves should not be considered "The Plan."

dialogue, in part deflection, in part standing firm, and in part remembering the "20-60-20 rule." In many change environments, approximately 20% of stakeholders readily embrace and welcome the proposed transformation, another 20% or so oppose it "to the death," and the remaining 60% initially stand neutral or undecided. Instead of spending valuable political capital on trying to first convert the 20% of "unbelievers," leaders of the transformation should initially focus their energy to engage the 20% of "believers" to gain the acceptance of those 60% of stakeholders "sitting on the fence."

Third, *always expect pain*. Mergers are never painless. There are too many changes, large and small, to address, absorb, and accept. This is particularly important for governing boards and campus executives, who naturally want to put a positive spin on these transformations and may end up being surprised by, and unprepared for, the degree of resistance and pushback. In contrast, faculty, staff, and students may overestimate the degree of pain and distress without realizing that the vast majority of the educational programs, college and departmental makeups, and academic offerings, will change quite slowly, if at all.

### Final Thoughts

We have sought to capture in this chapter the central issues of the merger process. Throughout the subsequent chapters of the book, it is our hope that readers will come to understand and appreciate the background and history of mergers, what key predictors and success factors have been, and how best to manage and effect mergers in higher education. We consistently reinforce the premise that mergers in higher education should not be considered a tactic of last resort or a sign of failure. Rather, they should be considered as a proactive and legitimate tactic, part of an institution's broader strategic plan focused on ensuring long-term growth and value. While mergers by themselves should not be considered the sole plan, they are an important tactic within a larger plan. Chapter 2 discusses why mergers now.

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# 2
# Why Mergers Now?

Two seemingly opposing views of higher education mergers compete for attention today. One, mergers have been a small but enduring, if underrecognized, phenomenon in higher education globally and for many decades. Two, a perfect storm of conditions is gathering that will lead to significant increases in the number of HEI mergers, especially in the United States. In fact, both perspectives are true.

### Mergers in Higher Education—On the Rise?

Mergers have been a constant, if relatively small, component of higher education throughout its history. Many of today's colleges and universities are themselves the products of earlier mergers. And the factors contributing to mergers—such as small size, financial pressures, and increased competition—have been in play for decades. Fewer than five mergers per year (on average) have been tracked over the last half of the twentieth century (Thrift and Harrington 1983; National Association of Independent Colleges and Universities 1995), apart from HEIs that ceased operation altogether (see Appendix A and chap. 4).

Within the last two to three decades, however, there has been a growing sense that American higher education is entering a new era in which mergers will feature much more prominently. Consider the perspectives from three credible HEI sources: presidents, financial analysts, and merger experts.

In a recent survey of HEI chief executives (Jaschik and Lederman 2018), nearly all respondents believed that additional colleges will merge or close within a year, with 30% predicting that between one and five colleges will close, 40% between six and ten, and 29% more than ten. Surprisingly, more

than one out of eight university or college presidents reported that they could see their own HEI closing or merging in the next five years (Jaschik and Lederman 2018).

Moody's Investors Services, which tracks the financial health of HEIs, is more precise in its analysis and predictions. Their 2015 analysis focused on small HEIs, which they predicted over the coming years would experience a doubling in the rates of mergers and a tripling in the rates of closures (Moody's Investors Service 2015; Woodhouse 2015). Mergers, they predicted, would reach four to six per year, up from the last ten-year average of two to three per year.

Among the earliest and most widely publicized predictions of the coming wave of mergers was by James Martin and James Samels in *Merging Colleges for Academic Growth: A New Strategy for Academic Managers* (1993), although the ambitious growth in full mergers that they predicted in 1993 has not yet come to pass (Martin and Samels 2002). All these predictions are just that—informed guesses about changes in the numbers of future mergers based on inferences from differing sources of information. Each guess raises additional questions about factors that appear to be influencing merger growth—what they are, their relative strength, how they interact, and so on. We see four clusters of overlapping factors that we think are, in combination, influencing the consideration of mergers: demographics and competition, business models and cost structures, cumulative fiscal pressures from multiple sources, and regulatory and legislative initiatives.

### Emerging Realities and the Growth of Merger Activity in Higher Education

There are a number of drivers of mergers of HEIs, including changing markets in a globalized economy, changing business models and cost/price structures, declining institutional fiscal health, and incentivizing governmental initiatives and subsidies. These factors are discussed in further detail below.

*Changing HEI markets in a globalized economy.* After steady increases in the number of high school graduates over the last fifteen years, the number of US high school graduates has leveled off or begun to decline, as have increases in the proportion of high school graduates who immediately seek to enroll in higher education. Recent projections indicate that there is signifi-

cant variation in this regard among the four geographical regions and in the United States. In some states, primarily in the south and west, robust increases are projected for the number of graduates overall, primarily nonwhite and Hispanic. But even in states with projected growth, the number of high school graduates is expected to decrease by as much as 8% from about 2025 through the early 2030s (Bransberger and Michelau 2016; Bransberger 2017).

Many HEIs have already begun to absorb declines in domestic enrollments with increased numbers of international students. Economic growth in emerging economies such as China and India has contributed to a higher demand for US higher education and provided a much-needed fillip for many US HEIs over the last several decades. But the next several decades may not be the same for several reasons, chief among these the parallel trends of increasing higher education capacity and quality in these same countries, the increasing pursuit of these same students by other countries, such as Australia and the United Kingdom, and recent changes in immigration policies in the United States creating uncertainty for international students. Consequently, we should not expect that the number of these students will increase at past rates.

How do these trends intersect with mergers in higher education? In two ways. First, the market reach of each HEI is (as it should be) expanding. More and more HEIs now compete (if only partially) in national and global markets for students. At the same time, potential global competitors, as well as domestic HEIs in the United States and elsewhere, are striving to improve and grow at a rapid rate. For some HEIs, increasing competitiveness suggests merging. For example, the primary reason for merging Thunderbird Business School with Arizona State University, as stated by Thunderbird president Larry Penley, is illustrative: "The cost to remain competitive and able to lead in the *fast-changing global education market* has progressively exceeded our means. Seeking a strong, compatible, globally minded partner who supports our mission became the necessary strategic path to build a runway for *sustainable growth and global leadership*" (Plante Moran 2015; italics added).

Student markets are increasingly global. In other developed economies where higher education is more centrally organized, global competition is fostering national strategies to enhance the competitiveness of their best HEIs (Goedegebuure 2012). Strategies that include merging. Per Goedege-

buure's (2012) research, nations employ mergers to achieve two separate sets of objectives, "sorting out the system" and "raising the bar." The first entails reconfiguring HEI institutions better to address institutional autonomy and growth in capacity ("massification"). The second is an effort to better to position HEIs to face global competition.

Goedegebuure illustrates his conclusions with merger cases from Denmark, Finland, and France. In 2006, the Danish government used mergers to reconfigure its existing system of twelve universities and thirteen government research institutes into eight universities and five research institutes. The Finnish government created Aalto University from the merger of the Helsinki University of Technology, the Helsinki School of Economics, and the University of Art and Design. Aalto University was founded in 2010 as a private university with substantial start-up funding provided by government and industry. A similar initiative led the French government to create the Campus Paris-Saclay. This multibillion-dollar initiative is projected to bring together twenty-two universities, research institutes, and Grande Écoles, and to have some twenty thousand staff and more than thirty thousand students by 2020. However, its resulting organization resembles more a federation than a single centralized and merged HEI. Although the circumstances and details of the HEI mergers in these three countries vary, their overarching goals are similar: amass talent and scale in order to compete globally.

Is there any evidence that mergers such as these enhance global competitiveness? Are the new (merged) institutions globally "better" than the old ones? Domingo Docampo and colleagues (2015) pursued just this question, analyzing data from the influential Academic Ranking of World Universities (ARWU, or Shanghai ranking) as well as detailed information on HEI mergers in the French higher education system. Their findings were cautiously encouraging, summarized verbatim here:

> Our analysis demonstrates that higher ranking [resulting from merging] does not always eventuate, although of course there may well be other legitimate drivers for certain mergers. The ARWU scores of some *new* aggregates (Sorbonne Universités, Grenoble Alpes, Lyon) are not substantially raised above the score already obtained by the institutions that would be aggregated. On the other hand the analysis also shows that in three out of the four conglomerates proposed for the Paris region the gains in ranking are remarkable. This is also the case for some unions in which none of the members are ranked in the current

> ARWU 500 list (Centre Limousin Poitou-Charentes, Bretagne-Loire, Bourgogne Franche-Comté and Lille Nord de France). (Docampo, Egret, and Cram 2015; italics added)

The message here has as much to do with what motivates policy makers to pursue mergers as it does with the effects of mergers on rankings.

*Changing business model and cost/price structure.* The business models of most HEIs have not changed significantly in years, and that affects the costs associated with the education services they provide. High fixed costs and legacy production processes can severely constrain individual HEIs. Without other sources of revenue, HEIs with expensive cost structures must find ways to reduce costs or to recover those costs in the prices they charge. The business responses of HEIs to these challenges are having mixed success.

Reducing admission standards in order to enroll additional students is increasingly unrealistic, although more HEIs are shifting toward open-enrollment practices. Price discounting, widely practiced, can have a positive financial impact only if reduced prices are more than offset by increased volume, although this in turn drives up *variable* costs. Net new enrollments from online program delivery to distant markets have been lessened by in-house start-up and conversion costs, as well as by capacity constraints. New programmatic initiatives often entail predetermined start-up and operating costs in the face of uncertain new revenues. And many efficiency-oriented (cost-reducing, productivity-enhancing) initiatives are being implemented, such as replacing full-time tenure-track faculty with less expensive contract or adjunct instructors, increasing class size, or deferring maintenance on physical plant, but they cannot be extended indefinitely. Finally, the capacity to increase prices (separate from price discounting) seemingly endures year over year, although it is beginning to experience significant pushback at most schools.

In effect, a key rationale for many of the HEI mergers is to modify the

The business models of most HEIs have not changed significantly in years, and that affects the costs associated with the education services they provide.

effects of the current business model by spreading fixed administrative costs over a greater volume of students and faculty. The 2015 merger of two Georgia colleges is illustrative. Following their merger, Moultrie Technical College and Southwest Georgia Technical College enrolled a combined total of just over five thousand students, and while maintaining separate campuses, they significantly reduced "duplicate administrative positions," including that of the president's office (Davis 2014). Instructively, many of the savings that resulted from merging were generally only one-time savings.

So, what effects do mergers seem to have on the ability of merged HEIs to more successfully compete in the market for students? Russell (2018) pursued this question using data from a national panel of public and private HEIs between 2000 and 2015. She estimated that the average merged institution increased tuition and fees by 5% relative to non-merging institutions in the same state and sector. Impacts on changes in application numbers, net prices, and yields were not known, but HEI leaders in these merged institutions acted as if increases in pricing power resulted from their mergers.

*Declining HEI fiscal health.* Softening demand and expensive cost structures are ultimately reflected in an HEI's fiscal health, and the ultimate outcome of severe financial health problems is going out of business. Despite innovative attempts to improve HEI balance sheets, closures of HEIs in the United States are on the rise. Since 2009, there have been nearly one hundred private, nonprofit closures in US higher education. Based on an analysis of these institutions conducted by EY-Parthenon (Azziz et al. 2017), several risk factors have emerged as being predictive of closure and may be used to identify institutions vulnerable to closure. These risk factors were organized into three domains: (1) weaknesses in *institutional strength*, including enrollment under one thousand and not having developed a complete online program; (2) weaknesses in *revenue generation*, including annual tuition increases greater than 8%, tuition discount rates greater than 35%, and tuition dependency greater than 85%; and (3) weaknesses in *financial structure*, including a ratio of endowment to expenses less than one-third, a debt service greater than 10% of expenses, and expenses greater than revenues.

HEIs with many of these risk factors were more likely to close outright rather than merge, when compared to those with just a few risk factors. In 2013, 122 institutions in the United States exhibited more than four risk factors for closure. Small schools had the highest risk: 70% of four-year,

Softening demand and expensive cost structures are ultimately reflected in an HEI's fiscal health, and the ultimate outcome of severe financial health problems is going out of business.

private nonprofit, and public institutions with enrollments under one thousand exhibited at least three risk factors for closure, compared to just 9% of HEIs with more than ten thousand students. Research by other analysts, studying the same problem but using different designs, has tended to support the general hypothesis that poor financial health is positively associated with mergers and closures. Bates and Santerre (2000) found that private college closures and mergers were significantly more likely when real tuition rate declines and real faculty salaries rise. In a different study, Porter and Ramirez (2009) sought to test a separate theory that liberal arts colleges in particular were failing, at least in part because of a shift in student preferences from liberal arts colleges to other types of HEIs. In their model, they found that a liberal arts emphasis in undergraduate education was *not* a cause of HEI failure per se. Rather, two other factors were highly correlated with liberal arts colleges—small size and lack of selectivity—and were driving failures.

Several final caveats about the role of financial pressures in mergers and closures are in order. One, robust financial health need not be a prerequisite to pursuing an acquisition of a financially troubled HEI. The University of Massachusetts System, recently characterized as being "under intolerable financial pressure" (Hildreth 2017), was nonetheless emboldened to "snap up Mt. Ida College" in 2017 for roughly $100 million worth of cash and debt assumption (Dowling 2018).

Two, fiscal pressures can mask other fiscally related incentives to merge. For example, the *amount* of state government financial support to its HEIs has not kept pace with growth and costs, but, separately, HEI funding *formulas* used by state and national governments can nonetheless create additional incentives to merge, as we discuss below.

*Governmental initiatives and subsidies.* When per pupil and per staff costs are "fully" subsidized, as in many European countries, increases in numbers

of students and staff provide their own incentive for HEIs to merge (Pruvot, Estermann, and Mason 2015). Similar higher education formula funding effects have been found in North America, as described below.

> Although funding formulas are sometimes promoted as being neutral and objective, most in practical fact are instruments of public educational, social, and fiscal policies. Thus formulas play a policy role by providing incentives to institutions that are otherwise outside direct government control. . . . Most funding formulas are based on linear algorithms and average costs. Nominally, those averages represent optimal sizes and the economies of scale that underpin those sizes. Seen in this light, funding formulas do not provide adequate funding for small institutions, especially small, highly specialized institutions with anomalous cost structures. (Eastman and Lang 2001)

In short, increases in size can yield disproportionate increases in public funding subsidies. Similarly, when larger HEIs receive special treatment from sponsoring governments, merging public HEIs inherently increase their political clout (Pruvot, Estermann, and Mason 2015). Consequently, fiscal and political incentives can foster merger consideration.

Merger-inspiring fiscal pressures work in two directions. Public HEIs can feel financial pressures as aid from governmental sponsors does not keep pace or, per the above argument, shortchanges smaller HEIs through their allocation formulas, consequently influencing voluntary mergers among HEIs. At the same time, those same (sponsoring) governments feel pressure to adequately fund their seemingly ever-penurious HEIs, and HEI consolidation can become an attractive means to enhance the impact of limited resources. Thus sponsoring governments may play a prominent role in some mergers of HEIs.

Citing resource scarcity, a number of states—including Connecticut, Georgia, Louisiana, and Pennsylvania—have initiated or undertaken plans to merge community colleges (Smith 2017). Financial exigency coupled with pressures to conform with systems in other states also led Kentucky and Minnesota to merge their technical colleges and community colleges (Ellis 2011).

The very fact that HEIs depend on resources from their sponsoring governments puts those governments in a position to have a strong voice in HEI merger possibilities, as argued by Eastman and Lange (2001) in their study of two Canadian mergers (that of the University of Toronto and the Ontario

### Box 2.1 Comparing Legislative and Institutional Priorities

**Legislative Priorities**

- Reduce costs through the elimination of duplicative positions
- Increase funding opportunities
- Elevate university status
- Increase job opportunities for constituents through university expansion

**Institutional Priorities**

- Increase academic positions owing to reduced administrative costs
- Increase research grant opportunities
- Attract high-caliber students owing to increased university ranking and name recognition
- Increase opportunities for interdisciplinary research and programs
- Improve faculty recruitment and retention

*Source:* Adapted from Jess Jong and Anna Krenkel, *University Merger Processes and Challenges*, Custom Research Brief (Washington, DC: Educational Advisory Board, 2013)

Institute for Studies in Education, and Dalhousie University and the University of Nova Scotia). Governments in many other developed countries have similarly played an active role in initiating and executing HEI mergers (Harman and Harman 2003) (see also chap. 4).

Legislative higher education priorities may well differ from the priorities of leaders of individual HEIs under their jurisdiction. Differing priorities between governments and HEIs can either reinforce or negate incentives to merge. As example, the Educational Advisory Board has isolated various differences between legislative and HEI priorities (see box 2.1) (Jong and Krenkel 2013).

Furthermore, state priorities for higher education can and often do change over time. Priorities to provide greater higher education *capacity* in the state can be later supplemented with additional priorities to enhance *quality*, which in turn can be further supplemented with additional primacies to achieve *efficiencies* among its HEIs (Hanover Research Academy Administration Practice 2013). Changing priorities also exposes many public HEIs to a shifting political, regulatory, and funding framework that may eventually foster mergers.

### Final Thoughts

The question raised in this chapter—Why growth in mergers now?—does not lead to a simple, unconditional answer. In pursuit of that answer, we have identified four highly interrelated trends—demographic/demand, cost model / cost structure, cascading fiscal realities, and public/regulatory behavior—that are combining to create the following conditions fostering increasingly dramatic changes in higher education, including more mergers: (1) traditional sources of prospective students are diminishing, and new sources of students may be temporary; (2) the basic cost structure of HEIs is unsustainable; (3) growing revenue streams, old ones and new ones, are often not keeping pace with growing costs; and (4) HEIs in all sectors are never totally autonomous, and many are subject to governmental priorities that do not necessarily favor these same HEIs.

The resulting confluence is not dissimilar from the "unbundling" and "disruption" scenarios described by other higher education watchers (Craig 2015), who foretell the emergence of some important new remedies, for example, competency-based, online, work-relevant, just-in-time, and individualized instruction. Are mergers one of the many "next new things" vying for the attention of HEI leaders? Possibly, but we think mergers are somewhat different from the next new thing.

First, individual HEIs mergers are episodic, happening infrequently but often with significant, focused impact affecting many people, sometimes profoundly, all at once and with lingering aftereffects. Second, each merger transaction involves multiple HEIs, making it consequential across multiple HEIs' constituents and markets. Third, mergers are broadly relevant, engaging all levels and kinds of HEIs, not just a single niche or segment. Their strategic relevance is not limited to elite, struggling, public, or private HEIs. Fourth, and perhaps most germane, the HEIs resulting from mergers have the effect of accelerating, not just responding to, the disruptive trends discussed above.

This last distinctive feature is particularly relevant to the question, "Why now?" Mergers can make possible and result in a quantum or "step function" change in an HEI—a change more dramatic than would otherwise be achievable over the same time frame. Not infrequently, the acquisition (or "buy") choice can accelerate strategic initiatives in ways that organic growth (or

"make") choices cannot. To the extent that the pace of change increases, so too will the potential value of mergers.

A few examples may help. Recently, Boston University (BU) and Wheelock College agreed to merge (DeCosta-Klipa 2017). The transaction involves BU assuming ownership of all of Wheelock's assets and liabilities, and Wheelock's School of Education, Child Life, and Family Studies being combined with BU's School of Education to create BU's Wheelock College of Education and Human Development. It is too soon to discern impact, but our hypothesis is that the new Wheelock College of Education and Human Development will more rapidly accelerate the reputation of BU's education school than even the most ambitious assumptions stemming from internal organic growth (the "make" alternative) ever could. On the flip side, the demise of an independent Wheelock College was also accelerated.

Both fiscal pressures and strategic opportunities provide a basis for considering mergers, with mergers being but one of the tactics that might be employed to accelerate the beneficial changes leaders seek. And so it is time now to examine mergers as a managerial tactic, the subject of chapter 3.

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# 3
# Mergers as an Organizational Tactic

Mergers represent one among many management decisions executives may make to advance their organizations. Within any single organization, mergers occur infrequently and historically, and they have been unusual among HEIs. Consequently, we examine merger experience in other industries for lessons of value to HEI mergers. Mergers in higher education may differ from mergers in other industries in many ways, for example, in the role employee-faculty play, and therefore lessons from the study of mergers in the non–higher education sector should be considered with caution.

## Mergers Are One in a Family of Managerial Tactics

Mergers are not strategy or mission, but one of many means for advancing the mission of an HEI. Consider the perspective of Susan Henking, then president emerita of Shimer College:

> In early 2016, Shimer signed a confidential memorandum of understanding with North Central College, and on June 1 it became the Shimer Great Books School of North Central College. . . . We entered the world of mergers and acquisitions. This reframing of Shimer *ensures that its mission continues* in a new venue for a new time. . . . The crux of the matter is always how one meets educational mission in financially responsible ways. . . . While we obviously must meet our financial obligations, to do so by sacrificing our educational mission is tantamount to capitulation. (Henking 2017; italics added)

President Henking viewed mergers as a viable means or tactic for advancing the mission of Shimer College, even if merging meant the end of Shimer's

Mergers in higher education differ from mergers in other industries in some ways—for example, in the role employee-faculty play—but not in others.

autonomy. The choices in this instance may have been limited—that is, merge or close—but even in this circumstance, merging is but one of many tactical decisions. Other HEIs in roughly similar positions may elect to pursue other organizational options to fulfill their mission (Thomas and Chabota 2015; Martin and Samels 2017). For example, Fuller Theological Seminary in Pasadena, California, experienced steady enrollment declines on both its main and satellite campuses, while online enrollments grew (Shellnut 2018). Fuller elected to close its satellite campuses, discontinue low-enrollment degree programs, sell its main campus in Pasadena, and move twenty-seven miles east to a less expensive area in Pomona (Stateman 2018).

*Some mergers may be conceptualized as a buy/make decision.* As the North Central–Shimer illustration suggests, mergers can be a means to *fulfilling* an institution's mission, even if that HEI is subsumed in the transaction. Mergers are also a specific answer to the broader questions that all organizations routinely ask themselves: *In order to gain some desired capacity or asset, is my organization better off buying it in the marketplace or making it in-house?* This decision can be applied to many situations, such as the provision of human resources or legal services, the establishment of branch campuses, and even the steps to achieving academic distinction. In the above example, North Central College exercised its *buy* option as a tactic for creating a new academic unit (i.e., the Shimer Great Books School). The *make* option would have entailed building the academic unit from scratch, hiring faculty, developing program proposals, creating courses, and the like.

Mergers are a unique major "buy" decision, usually reserved for achieving highly critical strategic ends, but they are decisions nonetheless, and as such are a tool for pursuing institutional priorities. Higher education leaders and business executives face similar, broad categories of decisions concerning how to achieve institutional priorities. Mergers are a useful but specialized tool to achieve these priorities.

**Box 3.1 Major Reasons Why Large, Publicly Traded Firms around the World Are Increasingly Using M&As**

- Attain greater market share and higher revenue growth
- Gain complementary strengths and enhance managerial competencies
- Acquire new customers or service offerings
- Acquire undervalued and much-needed assets and capacities
- Create synergies through efficiencies and economies of scale
- Globalize in a short span of time

*Source:* Adapted from Pramod Mantravadi and Aileni Vidyadhar Reddy, "Type of Merger and Impact on Operating Performance: The Indian Experience," *Economic and Political Weekly* 43, no. 39 (2008): 66–74, https://doi.org/10.2307/40278002

*Mergers, networking, alliances—similar issues in higher education and business*. Mergers in arenas outside of higher education have been used to achieve many organizational priorities. In their research on for-profit M&A trends in India, Mantravadi and Reddy (2008) cite seven major reasons why large, publicly traded firms around the world are increasingly using M&As. Most of their findings apply as well to HEIs (see box 3.1)

But these and other reasons for employing mergers as a managerial tactic do not ensure their relevance for a particular HEI, nor do they suggest achievement of postmerger goals. The link between merger rationale and postmerger success is unclear at best, as discussed in chapter 5. Patterson (2000) concluded in her review of the impact of economies of scale in higher education:

> Strategies of alliance, whether voluntary or involuntary are commonly proposed and engendered on an expectation of economic benefit. Invariably, the expectation is that amalgamation, whether it be consolidation (the combining of two or more institutions to form a new institution) or an acquisition type (where a dominant institution absorbs another) will lead to economies of scale cost efficiencies of operation. Yet specific data analysis in support of these expectations is usually scant or missing. (Patterson 2000)

HEI mergers are often rationalized as the pursuit of organizational priorities similar to those employed in for-profit business mergers. Yet differences

between the two groups of organizations are significant, since HEI mergers differ in kind, not just degree, from the for-profit corporate sector.

### Differences between HEI Mergers and Mergers in Other Industries

HEI leaders considering a merger have much to learn from the corporate sector (Stewart 2003), although there are also differences. Four features appear to differentiate HEIs from for-profit businesses: economic sector constraints, organizational culture, market concentration, and chief executive perspective (see box 3.2).

*Differences in economic sector constraints.* There are material differences between the categories, tracing in part to the nonprofit status of most HEIs, in contrast to the for-profit status of most other businesses.

The primary feature that distinguishes for-profit organizations, including for-profit HEIs, from private nonprofits and public organizations involves the rights of individual owners to buy and sell parts of the organization. Nonprofit HEIs, like other private nonprofit organizations, are not technically owned by their board members or members of senior management, either individually or as a single body. HEI trustees have a fiduciary responsibility to act on behalf of the HEIs, but ownership of the *nonprofit* is not divisible, and *individuals* cannot transfer ownership rights to it (McRay 2015). Similarly, the governing bodies of *public* HEIs have no ownership rights that accompany their fiduciary responsibility to govern their institutions. Technically, governments—but not their appointed trustees—can sell public enterprises, but this is extremely uncommon in the US higher education enterprise. Similarly, individuals, including HEI trustees, cannot own or trade shares of a public HEI.

**Box 3.2 Differences between Mergers of HEIs and Mergers in Other Industries**

- Economic sector constraints
- Organizational culture
- Market concentration
- Chief executive perspective

In the for-profit world, M&As are a more normal, even routine way for businesses to improve—either by buying other businesses or by selling all or parts of their own businesses. Prices and cost estimates are primary measures of value in the for-profit sector; in contrast, strategy and culture, neither metered by money, are more important in the not-for-profit higher education space.

Acquisition transactions play a special role in the for-profit sector. Investors place "bets" based on the likelihood of business success. Years later, many seek to exit the market, harvesting gains or losses accrued. Finding another business that is willing to purchase their business is a routine practice. As Axinn (1981) reminds us, "There must be an appropriate exit for capital from the marketplace in a way for winners to win and for losers to lose." This feature of acquisitions in the for-profit world as a means for liquidating capital most fundamentally distinguishes it from mergers in the public and nonprofit HEI worlds.

Other economic differences derive from the prerogative to raise and harvest capital. For example, although investment banks and private equity specialists provide financial facilitation, shareholders and employees are often exposed to personal financial consequences, both positive and negative. Unlike the case for nonprofits and public organizations, M&As among for-profits need not require a minimum level of willingness on the part of employees and thus may be known as "unfriendly takeovers."

Taxation and its consequences also enter the calculations of for-profit M&As, but rarely do they in HEI mergers. Finally, although antitrust considerations may influence M&A activity in both the for-profit and not-for-profit space, especially among large firms in concentrated industries (see below), the US Securities and Exchange Commission regulates only M&As of publicly available for-profit businesses.

*Differences in organizational structure and corporate culture.* HEIs also differ from firms in the business world in their cultures and governance, differences that may have a major impact on the viability of merging as an organizational tactic. Perhaps the most material difference involves the autonomy of institutional leaders to make merger-like decisions. The powers of the average HEI leader are more diffuse than the powers of the average corporate leader.

> In the corporate ecosystem, power resides largely with the executive team and cascades down. In academia, power usually emanates from the faculty and works its way toward the central administration. The concept of shared governance, combined with academic autonomy and tenure, leads to an organization where broad change cannot be mandated. Instead, change on a large scale can only be achieved by working with the faculty to build a compelling case and a clear path forward—one that supports the mission of the institution, but copes effectively with fiscal constraints. (Denneen and Dretler 2012)

This distinction is not only associated with the economic sector where an organization is located but also applies to broadly held *perceptions* about the organization, *regardless of its sector location*. One illustration may be useful here. Between 2007 and 2014, the number of HEIs in the Welsh higher education system was reduced from twelve to six through mergers. Drowley, Lewis, and Brooks (2013) studied the perceptions of merger stakeholders, including those involved in the merger between the Royal Welsh College of Music and Drama (RWCMD) and the University of Glamorgan. Differing perspectives on the nature of RWCMD fundamentally colored opinions about the viability of merger outcomes.

Perceptions of RWCMD as a "corporation" were associated with views of the leader as "chief executive officer (CEO)," academic staff as "workers," administration as "servant to the CEO," students as "customer or product," and RWCMD's identity as "a wholly owned subsidiary," where policies were "clearly" stated and "tightly" implemented. In this view, mergers were an acceptable tactic.

Alternatively, perceptions of RWCMD as a "collegium" were associated with views of the leader as "first among equals," academic staff as "expert" and "team leader, or team member," administration as "team leader" and "servant of the client," student as "client," and RWCMD's identity as an "academic community" where policies were "vaguely" stated and "loosely" implemented. From this alternative viewpoint, mergers were problematic. Corporation and collegium sound like two different organizations, but they are, in this illustration, two different perceptions of the same organization, which in turn colored opinions about merger viability.

*Differences in market competition and firm concentration.* A large but often unnoted difference between mergers among HEIs and mergers among many

for-profit businesses is the degree of market concentration resulting from mergers. On a theoretical continuum from highly concentrated to highly fragmented, higher education is close to the fragmented end, and hence distinct. "In recent years . . . growing concern . . . has emerged . . . [that] markets around the world are becoming more concentrated and less competitive. This is sometimes attributed to the increasingly digital and globalized nature of many markets and the firms that operate within them. In other cases, lax antitrust enforcement or excessive regulation have been blamed for the increase of concentration" (Odagiri 2018).

The logic here is straightforward. Mergers lead to fewer, larger firms in an industry. When the market is concentrated among a few large firms, there are fewer firms to compete against, and the pricing power of the remaining firms is enhanced, fostering monopolistic practices. In some industries, mergers are an intentional means for reducing competition. If you can't beat them, buy them.

The consequences of reduced competition include reduced innovation, increased prices, and reduced output. There is preliminary evidence that this phenomenon may be fostering increases in pricing power in some industries, including health care and finance. But research in other industries, where relatively few firms control large fractions of the market (e.g., the automotive and airline industries), has not shown changes associated with concentration. Market concentration is an imperfect indicator of the overall competitiveness of a market, however, and a variety of assumptions must be made when measuring concentration, such as which firms to include, the degree of substitutability, constraints facing existing firms, and barriers to entry for new firms.

Higher education is a highly fragmented low-concentration industry, with many "firms," each capturing a small share of the potential market, suggesting a relatively competitive market. That higher education is an "experience" good, where alternatives cannot be easily compared, also makes it less competitive. Moreover, there are multiple markets within higher education, with extensive substitutability among HEIs. Hence the apprehension about competitiveness that may accompany mergers in other industries does not apply to higher education. Although many HEIs have increased their pricing power, the higher education enterprise appears to be reaching the upper limits of its pricing power. In fact, in instances where merged HEIs have been able to command disproportionate tuition increases (Rus-

sell 2019), it is not clear that these increased prices were the result of reduced competition.

*Differences between CEOs in higher education and in other business sectors.* When institutions merge, it is not the institutions that cause the merger transaction; it is their leaders that cause the merger. Considering this, what are the differences between CEOs in HEIs and those in other industries? We can easily testify (although less easily document) that individuals attracted to being chief executives of an HEI are different in character, skill set, and objective than chief executives of for-profit businesses. But chief executives in these sectors may differ in other more tangible ways.

For example, do CEOs in non-HEI businesses have more power in their organizations than HEI chief executives have in theirs? There is no definitive and objective answer to this interrogatory, but the "shared governance" of HEIs (Denneen and Dretler 2012; Association of Governing Boards 2017) would suggest that the decision-making power of HEI CEOs is much more diluted.

> Time-honored processes for widespread consultation and deliberation are sometimes seen [by HEI CEOs] as impediments. A lack of cultural awareness between boards and faculty can complicate and delay decision making. Likewise, demanding voices from both outside the academy and within it—state and federal policymakers, contingent and unionized faculty, students with new social and academic needs, philanthropists, foundations—can complicate and heighten tensions, even while underscoring the importance of stakeholder engagement. In these circumstances, shared governance can become a zero-sum game, with participants focusing primarily on who has the power to decide what, rather than what the institution, its students, and its mission need to advance. (Association of Governing Boards 2017)

This feature of higher education distinguishes not only HEIs from other businesses, but also HEI chief executives from other business CEOs.

Within the context of merger transactions, business CEOs have often been characterized as "overconfident," pursuing mergers that often were not successful or overly costly. Doukas and Petmezas (2007) hypothesized that managerial overconfidence results from a self-attribution bias: "overconfident CEOs feel that they have superior decision-making abilities and are more capable than their peers. The presence of these cognitive biases en-

courages CEOs to emphasize their own judgment in decision making and to engage in highly complex transactions such as diversifying acquisitions. Because of their overconfidence, these CEOs tend to under-estimate the risks associated with a merger or overestimate the possible synergy gains from a business combination."

Ferris, Jayaraman, and Sabherwal (2013), building on the work of Malmendier and Tate (2008), pursued an empirical examination of the role that CEO overconfidence plays in explaining international M&A transactions involving global Fortune 500 firms during the years 2000–2006. Several merger-related behaviors were positively associated with CEO overconfidence, including the frequency of nondiversifying and diversifying acquisitions, such as overemphasizing unrelated merger targets and the use of cash to finance a merger deal.

To our knowledge, no studies have assessed HEI chief executives' confidence level regarding mergers. It is entirely possible that HEI CEOs may show similar overconfidence as other business CEOs, although we doubt this is the case, particularly considering the risk-averse nature of most HEI CEOs. In fact, the contextual reality of shared governance in higher education increases the likelihood of broader and deeper engagement by other stakeholders, a reality that should foster a more objective approach to HEI mergers.

### Similarities between HEI Mergers and Mergers in Other Industries

Despite the four general merger-related differences between for-profit businesses and nonprofit HEIs, two broad areas of similarity also exist (see box 3.3). First, in both sectors, motivations for mergers are multidimensional and generally viewed as positive by leadership. Second, as with mergers in other sectors, even exuberant positive motives for merging do not guarantee success.

*Viewing mergers as a positive.* In both sectors, motives for mergers are multidimensional and generally considered to be positive. Perhaps the most fundamental similarity is the belief by decision makers in both sectors that they will be somehow better off by merging than by not merging. For one side, the belief in the outcome may be enhanced reputation with economies of scale, and for the other, it may be a form of survival, albeit with a loss of autonomy; motives may be highly disparate but still compelling.

**Box 3.3 Similarities between Mergers of HEIs and Mergers in Other Industries**

- Mergers are multidimensional and generally viewed as positive by leadership
- Even sufficient positive motivations for merging do not guarantee success

The desire to grow in size in the pursuit of economies of scale—either to survive or to thrive—motivates a good part of HEI merger activity. Similarly, M&A activity is especially pronounced in for-profit industries where there are many small firms, where economies of scale may be obtainable and desirable, and where a small number of firms do not dominate the market—conditions not dissimilar to those current in American higher education. Public HEIs are, in addition, often part of a state-governed "system" of multiple campuses, and the impetus for considering merger activities among these campuses often originates from governmental sources.

In all cases, "growing in size" can subsume different sub-goals, such as enhanced efficiency or increased service options. For the former sub-goal, support services with high fixed costs can be spread across more volume, thereby reducing unit costs. In merged HEIs, cost reduction may result from efficiencies from merged offices of the president, computer services, and so on.

In addition to growth in size, other organizational features that make both businesses and HEIs attractive to potential merger partners are access to: (1) new regions to sell into; (2) new technologies or better operating systems; (3) enhanced financial capital; (4) brand enhancement; and (5) specialized workforce talent. Another merger motivation, enhancing the quality of academic offerings, can take several forms, such as eliminating duplicative programs, increasing academic integration and collaboration by creating new multi- and interdisciplinary fields, and diversifying academic profiles to enhance reputation in a larger market (Skodvin 1999).

Consequently, M&As in the for-profit business world and mergers in nonprofit HEIs suffer from a tendency of merger advocates to overestimate

the benefits and underestimate transaction costs. This positioning often leads to results that, even if objectively positive, fail to meet premerger expectations. This is particularly true when a proposed merger is believed to deliver multiple benefits, for example, increased financial health, enrollment growth, efficiencies from consolidation, increased regional influence, and enhanced academic reputation.

Alternatively, both types of businesses also will suffer from the tendency of merger *opponents* to exaggerate the negative impact of a proposed merger, positioning it as the "end of the world as we know it" and so forth. This in turn often prevents a clear, rational, fact-based conversation.

*Positive motivations for merging do not guarantee success—in any sector.* Despite pro-merger arguments, mergers among both for-profit businesses and nonprofit HEIs have a mixed record of success. In fact, success in the corporate sector, typically estimated to be between 20% and 50%, may be less than that among HEIs (Thomas and Chabota 2015). We should recognize that metrics of "merger success" vary between the for-profit and the nonprofit HEIs sectors, however.

Because the investor marketplace plays such a major role in the assessment of mergers of for-profit businesses, there are a number of financially metered indicators of "success" in mergers of for-profit business that have no direct analogue among merged HEIs, in part because they are not consistently measured or simply do not exist. Changes in share prices after a merger, for example, provide a widely regarded measure of merger success in the for-profit environment but do not apply to nonprofit or public HEIs. Furthermore, changes in financial condition and performance tend to be gathered and reported in great detail among larger, publicly traded companies, in contrast to HEIs. Regardless, in both the business world and among HEIs, compelling merger arguments, premerger, do not necessarily translate into the outcomes envisioned.

### Merger Feasibility—A Managerial Tactic Tailored to HEIs

The distinctions described in this chapter compare mergers as a managerial tactic common to virtually all businesses or organizations versus HEI mergers. Nowhere is this difference more evident than in the early stages of considering mergers. Early steps in a for-profit business merger usually entail the creation of three formal agreements: a confidentiality agreement, a

letter of intent, and a purchase agreement (Collins 2017). Pledges of nondisclosure and confidentiality agreements may also include prohibitions against soliciting customers and employees. Letters of intent, usually nonbinding, set out basic dimensions of the transaction, including purchase price, due diligence processes, time frames, financing, confidentially, and exclusivity. Purchase agreements serve as the formal transaction document and include detailed financial terms and time lines, plus rights and remedies of the parties in the event that descriptions, representations, and warranties prove to be inaccurate. The process leading up to the signing of the purchase agreement is usually intended to be confidential.

HEIs, in contrast, devote more early-stage attention to assessing the *feasibility* of merging. Formal feasibility studies of HEI mergers do not follow a single blueprint, but often they include guiding principles, questions to be answered, expected outcomes, comparisons with relevant peer institutions, stipulations about process, and input from stakeholder groups. Formal HEI feasibility studies are often meant to be public in nature. The feasibility study leading up to the merger of the University of Colorado (CU) Denver and CU Health Sciences Campus (PricewaterhouseCoopers 2003) provides one example of these and other feasibility elements. Twelve feasibility study teams from across both institutions spent four months developing responses to five guiding questions:

1. Are there are any obstacles to consolidation that cannot be overcome?
2. Is it feasible to combine operational areas of the campuses and if so, what would you recommend in the short, intermediate and long run?
3. Is it feasible to move to a common set of policies and operational philosophies, and if so, what would you recommend in the short, intermediate, and long run?
4. What is the team's assessment of the impacts and opportunities of the consolidation on the other [CU] campuses?
5. Do you have recommendations, issues, and concerns that the feasibility study team would like to communicate to an implementation working group should the consolidation move forward?

The merger feasibility study of HEIs is distinct from the three-stage premerger process of for-profit businesses, but both can and do lead to merged organizations. Chapter 8 details further the process of evaluating the feasibility of an HEI merger.

## Final Thoughts

Mergers are one tactic that virtually all organizational principals, including HEI leaders, can employ in pursuit of their strategic objectives. Generally, mergers are pursued when the net benefits to the combined organization exceed the transaction and opportunity costs. It does not follow, however, that fundamental merger processes are the same across economic sectors, across industries within a sector, or even between any two mergers.

So, are mergers of HEIs variations on a broader theme, or are they separate and distinct? It is unclear. Can HEIs learn anything from the vastly larger number of mergers in the business world? Certainly, but any lessons must be filtered through the lens of higher education's governance, culture, and circumstance. What, then, have been the special characteristics of HEI mergers, both historically and globally? For these answers we turn to chapter 4.

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# 4
# History and Global Experience

Mergers of HEIs are neither new nor restricted to the United States. In this chapter, we review both historical trends and the global experience with HEI mergers, with the aim of identifying common features and lessons that may bear on our understanding of these mergers.

## HEI Mergers around the World

Mergers in higher education represent a global phenomenon spanning decades, even centuries. Major merger initiatives have been reported from many European countries, including Belgium, Denmark, England, Finland, France, Greece, Ireland, Norway, Romania, Sweden, and Wales (Kyvik 2002; Higher Education Funding Council for England 2012; Kyvik and Stensaker 2013; Humphreys 2014; Johnes 2014; Valimaa, Aittola, and Ursin 2014; Pruvot, Estermann, and Mason 2015; Nuffic News 2016; Pinheiro, Geschwind, and Aarrevaara 2016; Romanenko and Lisyutkin 2018). Other regions with extensive HEI merger activity include Africa, Australia, China, south Russia, and Ukraine (Goedegebuure 1992; Harman and Harman 2003; Research Institute for Higher Education 2004; Mbinda 2009; Barnes, Baijnath, and Sattar 2010; Arnolds, Stofile, and Lillah 2013; Curaj et al. 2015; Else 2015; Cai and Yang 2016; Shevchenko 2016).

HEI merger activity has been increasing in the last several decades, true especially when alliances and similar close partnerships are included. In their review of HEI mergers, Harman and Harman (2003) concluded that "over the past three decades or so, mergers have become an increasingly common phenomenon across many higher education systems." Increases may be driven by multiple motivations, including growth in size and capacity, mere

survival, improvement in perceived quality and rankings, and increased competitiveness for students and employees (see also chap. 2).

The extensive international experience with mergers of HEIs has produced several general lessons, or at least hypotheses. Benefits—purported and actual—vary by merger but constitute a coherent bundle across HEIs, including operating efficiencies, enhanced ranking, improved quality, and increased competitiveness. Similarly, the costs, problems, and challenges associated with mergers represent a common pool of issues across national borders. Examples include faculty and staff stress and resistance, clashes in campus culture, cost, and delayed or unachieved financial gain.

Additionally, while many HEIs around the globe are public and under greater central or national governmental control than those in the United States and Canada, many others are governed in a manner similar to that of American public state universities, where provincial or state governments play an important and often controlling role. Consequently, many of the findings arising from mergers around the globe have relevance for HEI mergers in North America. In this chapter, we review recent merger trends in Europe, Australia, South Africa, and China.

*Europe—many mergers and multiple motivations.* In Europe, almost one hundred mergers or alliances were documented between 2000 and 2015 (Pruvot, Estermann, and Mason 2015), and the rate of mergers in Europe is increasing (see fig. 4.1). Between 2009 and 2014, there were fifty-five mergers, up from twenty-five in the five preceding years.

Chief among a variety of merger goals were to improve the quality of teaching and research, to create more comprehensive HEIs, to make higher education more broadly available, to strengthen the competitive position of HEIs, and to pursue scale economies available through larger HEIs (Pruvot, Estermann, and Mason 2015). Another motivation underlying mergers was the desire to improve the quality of teaching and research, the competitive position of a university, and financial savings. Geographic proximity of HEIs, especially when their programs were relatively complementary, appeared to

In Europe alone, almost one hundred mergers or alliances were documented between 2000 and 2015.

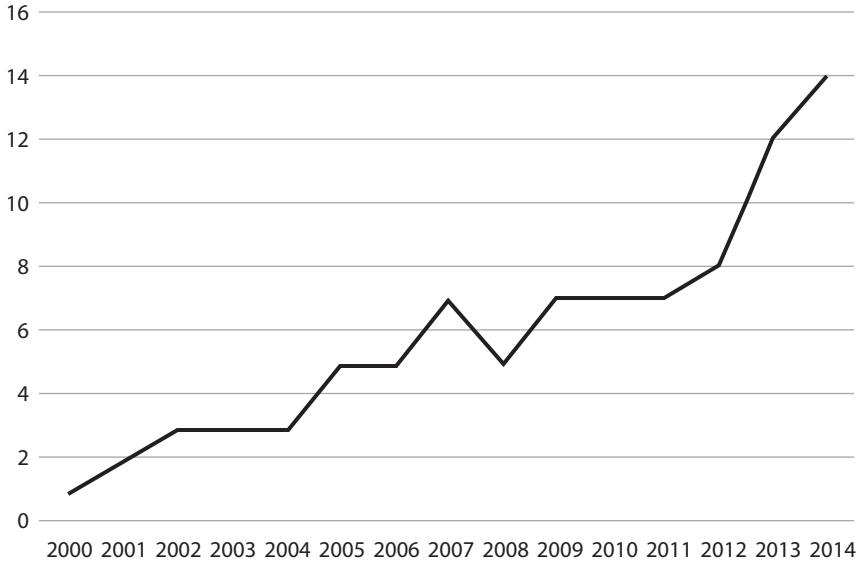



**Figure 4.1.** University mergers in Europe, 2000–2014. *Source*: Thomas. Estermann, "Trends in University Funding in Europe and the Impact on Universities and Management" (paper presented at the Euroasia Higher Education Summit, Istanbul, February 2018), https://eurieeducationsummit.com/files/2018Presentations/Thomas_Estermann.pdf

make these goals more feasible. Other mergers had been pursued to avoid duplication of academic offerings (Pruvot, Estermann, and Mason 2015). In some cases, public funding formulas, in which larger institutions were disproportionately subsidized, influenced the decision to merge.

Many of the motivations and drivers mentioned above have "financial roots," often deriving from pressures resulting from declining government revenues. Macroeconomic trends also play a role. The Great Recession of 2007–8, for example, was a catalyst for much merger activity, whether from financial pressure or by fostering an environment that allowed for more "out-of-the-box" strategizing (Pruvot, Estermann, and Mason 2015).

Cost savings, separate from revenue enhancement, was often featured as an argument for merger. The logic behind the cost savings case (i.e., reduction in fixed costs per capita with growth in volume), while plausible in theory, is difficult to achieve in practice, especially in view of the transaction costs of merger (see also chap. 12). An analysis by the European University Association (Estermann and Pruvot 2015; Pruvot, Estermann, and Mason 2015; Estermann 2018) noted that cost savings should *not* be the primary

driver for mergers, and that the academic mission should always take precedence, as savings are likely only in the long term. Based on analyses of multiple mergers, the report also sounded a cautionary note about the benefits and costs of HEI mergers. It observed that many HEIs and their government sponsors underestimated how long it takes to align procedures and cultures after merger. Moreover, there has been little evaluation of the status before or after mergers, which has made the process harder to manage and the value of mergers more difficult to assess.

*Australia—system rationalization.* In Australia between 1960 and 1991, we can recognize three main waves of merger activity (Harman 2000), all generally aimed at differing dimensions of system rationalization. The first wave occurred between 1960 and 1981, during which most mergers aimed to combine small (undernourished, sometimes struggling) institutions located close to each other and serving the same populations, or to combine specialist institutions into more comprehensive universities or larger colleges of advanced education (CAEs). The purpose was to serve greater numbers of students with wider arrays of program options. Although the goal seemed to be rationalization, government action during this period was judged by some to be spasmodic and not coordinated, without any coherent national framework (Harman 2000).

The second wave, between 1981 and 1987, unlike the first, was primarily driven by the national (Commonwealth) government and was accompanied by a centralization in public higher education financing. Beginning in 1974, the Commonwealth Government had assumed full responsibility for the funding of all public higher education, even though formal legislative and administrative responsibility remained with Australia's states and territories. The central government's efforts to merge institutions were driven both by financial concerns and by a desire to balance the responsibilities of state versus national governments.

The third wave occurred between 1987 and 1991 and was also driven by the central government, this time to effect deeper higher education reform. The government's broad reform agenda included abolition of the existing binary system of higher education, where CAEs provided vocational and sub-degree education and universities provided the advanced degrees and research. Major consolidation of institutions through mergers was undertaken, aimed at increases in student enrollments, a more selective approach

to research funding, increased efficiency, and the shift of some of the financial burden of higher education to individuals and the private sector. Various administrative changes in governing bodies and leadership authorities and responsibilities accompanied these efforts. In the new millennium, further higher education reforms have continued to occur, although with less emphasis on mergers (Harman and Harman 2003).

*South Africa—massification with equity.* The recent history of higher education in South Africa requires consideration of two interrelated trends: the moves away from apartheid and toward economic development. Along with numerous other national policies, HEI merger initiatives have been employed to achieve these and other ends. Specifically, mergers in South Africa centered on reducing the number of the country's universities and universities of technology (known as Technikons) from thirty-six to twenty-three. These efforts were driven principally by post-apartheid efforts to enhance access and equity, to facilitate economies of scale, to increase institutional viability, and to foster institutional differentiation that contributed to their de-racialization (Jansen 2002).

*China—consolidation for international competency and economic expansion.* Mergers of HEIs have been an important tool for the establishment of modern Chinese higher education (Cai and Yang 2016). In the 1950s, after the establishment of the People's Republic of China in 1949, mergers were used to restructure, align, and *reduce* the size of the higher education system. During this period, departments in the same discipline from several institutions were regrouped into single HEIs. As a result, and consistent with a centrally planned economy, highly technical and specialized HEIs were developed, similar to those in the Soviet Union, with only a few comprehensive universities remaining.

By the late 1970s, this highly fragmented system of higher education, characterized by narrowly specialized professional institutions and low enrollments (one-third of the institutions had enrollments below one thousand students) was found to be unsuited for the challenges of a developing market-oriented economy and a rising middle class. Widespread mergers of HEIs therefore began in the 1990s, with the goal of achieving economies of scale, improving efficiencies, and building more comprehensive institutions serving rising numbers of students. During this time, national concern with

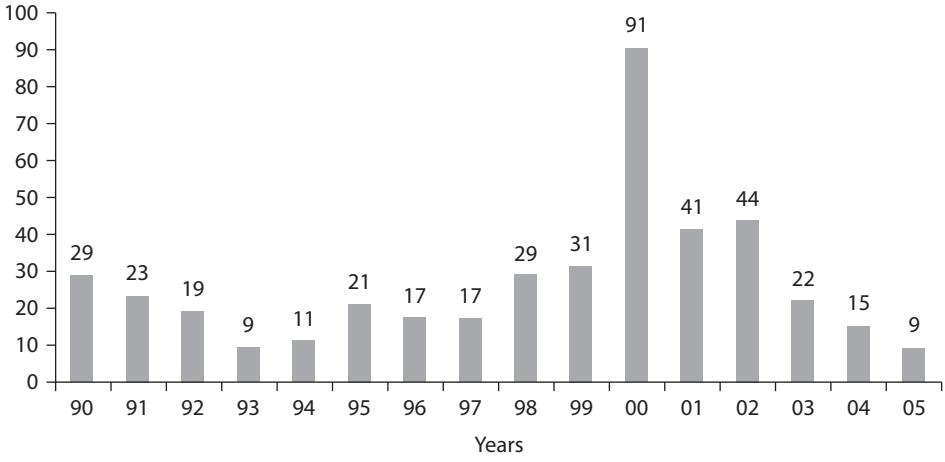



**Figure 4.2.** University mergers in China, 1990–2005. *Source*: Yuzhuo Cai and Xi Yang, "Mergers in Chinese Higher Education: Lessons for Studies in a Global Context," *European Journal of Higher Education* 6, no. 1 (2016): 71–85, https://doi.org/10.1080/21568235.2015.1099458

growing the capacity of higher education was linked with growing concern about HEI quality driving global competitiveness.

With the introduction of "Project 211" in 1993, the central Chinese government set as a national priority the development of one hundred or so world-class comprehensive "twenty-first-century" universities. Although initially associated with increased size, the focus of mergers shifted toward improving university international competitiveness and prestige. By 2005, there had been almost 430 mergers in China, involving nearly 1,000 public HEIs of varying types (Nyeu 2006; Cai and Yang 2016) (see fig. 4.2).

Factors associated with merger outcomes in China are similar to those observed elsewhere, such as the impact of timing, the characteristics of the participating institutions, organization structure, management and leadership, campus culture differences, academic standing, and financial investment (Cai and Yang 2016). It is also possible that mergers of HEIs in China have met with less resistance than in other countries. First, the central government's policy to provide additional financial resources helped alleviate the impact of financial pressures on merging institutions (Zhao and Zhu 2010). Second, China's political culture and governance may have minimized any opposition by HEI leaders and local officials.

Finally, we should recognize that some of the features of HEI mergers

in China are relatively unique, including the significant role that central governments and centralized planning play in determining the mergers, the broad heterogeneity in the types and specializations of the institutions being merged, and the preexisting paucity of comprehensive universities usable as national or regional role models and benchmarks.

### The North American Experience

Mergers in the United States and Canada are not a recent phenomenon. In fact, if analyzed historically, a significant proportion of mature HEIs today in North America are the product of, or have been participants in, at least one higher education merger or acquisition in their development. There are approximately ten mergers or acquisitions involving universities or colleges known to have occurred in the nineteenth century, the earliest on record taking place in 1830 (Azziz et al. 2017). An urgent plea for consolidation of HEIs in Ontario was made in 1876 as a way to make the university system "more thoroughly national in its character and working" (Canadensis [J. George Hodgins] 1877). Originally published in *Belford's Magazine* under the pseudonym of "Canadensis," the monograph has been attributed to the eminent Canadian educator and administrator John George Hodgins (1821–1912) (Purdy 1998). Hodgins noted that "even with the great multiplication of American Colleges, the number of students seeking a college education in that country has relatively declined for some years. . . . The relative number of college or university men in public life has steadily declined since the days of the American revolution. . . . Comparatively few college or university men are guilty of acts of corruption, unfortunately so characteristic of political life in the United States and elsewhere" (Canadensis [J. George Hodgins] 1877).

This characterization serves as a sad indictment of the condition of higher education and politics in the United States immediately following the American Civil War, a state of affairs depicted colorfully in Mark Twain's and Charles Dudley Warner's collaborative work "The Gilded Age: A Tale of Today" (Twain and Warner 1873). It is also a reminder that higher education mergers reflect much broader, deeper, and more profound regional and national trends.

Toward the end of the nineteenth century, Canadian national higher education policies began to focus on mergers as a tool for driving quality.

> The fact is that, if analyzed historically, a significant proportion of mature HEIs today are the product of, or have been participants in, at least one higher education merger or acquisition in their development.

In 1881, the Society for Promoting University Consolidation was created in Halifax to address what was perceived to be underfunding of the university structure in the region (Society for Promoting University Consolidation 1881). The society stated, "the present condition of higher education in this country is unsatisfactory, [and] that the number of institutions possessing University Charters and endeavoring to do collegiate work, is greater than the country can afford to support," reminiscent of the state of higher education today.

Compared to Canadian higher education merger policy, US interest in HEI mergers came later and for differing reasons. In the 1940s, '50s, and '60s, much of the consolidation activity in the United States consisted primarily of efforts to create statewide systems of public higher education, to stave off closure, and to otherwise strengthen existing HEIs (Millett 1976). Consolidation of community or technical colleges into statewide systems occurred somewhat later. Many of these public systems were created not necessarily to improve the quality or viability of the HEIs involved, but as a way to administer and oversee the disparate institutions more effectively. In the 1970s, financial stringency became an increasingly common reason for mergers (Millett 1976; Murphy 1990). The 1980s signaled mergers that were meant to address both financial stress and the need to diversify and broaden academic offerings (Murphy 1990). Mergers in the 1990s and beyond have continued this trend, although the Great Recession of 2007–9 accelerated the number of mergers in response to financial stress (Azziz et al. 2017).

Similar to trends globally, the number of US mergers has risen steadily in the twenty-first century (Azziz et al. 2017) (see fig. 4.3). Since 2000, there have been more than one hundred mergers between two or more HEIs in the United States (see also Appendix A). Over 40% of mergers were between two public institutions, few were mergers of equals (Azziz et al. 2017), and

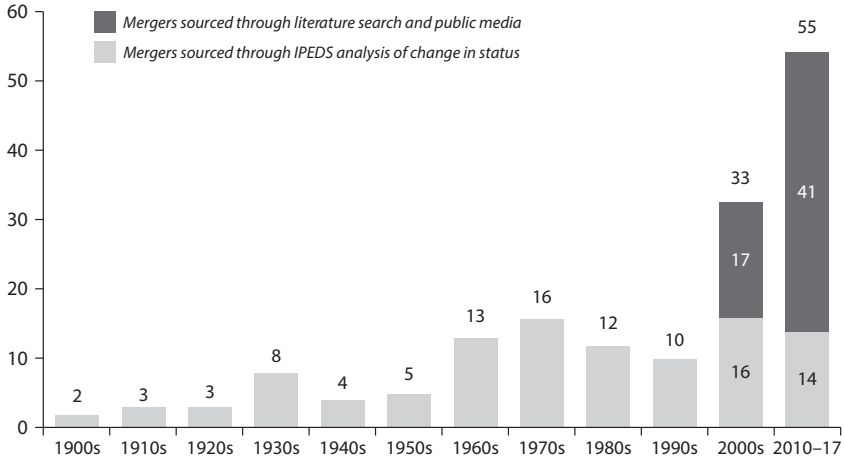



**Figure 4.3.** Mergers and consolidations of HEIs in the United States since the early 1900s. Note that the number of M&A transactions is not exhaustive owing to a lack of clear and reliable tracking of mergers, particularly prior to 2000. *Sources*: Data in dark shading from James Martin and James E. Samels, *Merging Colleges for Mutual Growth: A New Strategy for Academic Managers* (Baltimore: Johns Hopkins University Press, 1993), and a customized search using LiquidSearch.com; data in light shading from EY-Parthenon analysis of change using the Office of Postsecondary Education identification in the Integrated Postsecondary Education Data System, followed by targeted literature search.

only a few involved large institutions. While most merger activity has taken place between two public institutions in the same state, cross-sector and cross-state mergers are emerging as realistic options (Azziz et al. 2017).

Because of the prevalence of private HEIs in the United States, many, if not most, mergers can be considered "voluntary," resulting from individual HEI initiative and action. Mandated mergers of public community and technical colleges have occurred in Arkansas, Georgia, Kentucky, and Louisiana, and are underway in Connecticut. The only widespread merger effort in the public nontechnical / community college sector in the United States so far has occurred within the University System of Georgia, what we term the "Georgia Experience" (Moody's Investors Service 2012; University System of Georgia 2013, 2017).

The reasons behind many of the current inter-institutional mergers in the United States vary, often according to type of institution. Public institutions merge largely to gain efficiencies, grow branding potential, and increase

value to students and their communities. In contrast, private institutions, particularly those with fewer than one thousand students, generally merge as a means of survival, although there may be other reasons (e.g., to create a co-ed HEI from two single-sex institutions) (Azziz et al. 2017).

Roughly analogous to post-apartheid South Africa, some mergers of US HEIs have been used as a tool for desegregation, often mandated by the courts (Epstein 1979; Jackson-Fobbs 1997). Unfortunately, it appears that mergers in the United States involving predominantly white and predominantly black HEIs are less successful than mergers where both merging institutions are predominantly white (Jackson-Fobbs 1997).

### Final Thoughts

Overall, mergers of HEIs are a continuing phenomenon, observed both in the United States and elsewhere. In North America, calls for university and college mergers as a means of creating stronger, more valuable, and more competitive institutions have occurred since the middle of the nineteenth century. The recent thirty years has seen a rapid increase in the number of mergers of HEIs being undertaken globally, including in the United States. The acceleration in the number of mergers in the United States has been more pronounced since the start of the third millennium, owing to a combination of financial and competitive pressures, declining enrollments, demographic changes, and increasing demands from students (see chap. 2).

There are certainly major "country differences" that distinguish HEIs and HEI mergers from each other, including overall level of economic development, the extent of national government control, internal governance, and demographic circumstances. But many HEI merger features, opportunities, challenges, "takeaways," and lessons learned seem to be applicable across the globe. This lays the foundation for a closer look at the drivers and categories of contemporary mergers in chapter 5.

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# 5
# Drivers and Categories of Mergers in Higher Education

This chapter reviews the classification or categorization of mergers, grouping mergers with common features. Categorizing mergers allows us to extract underlying generalizations across a number of mergers that appear to be similar. The categorization of mergers can rest on the "why," that is, what are the principal drivers or motivators of the mergers. Or it can rest on the characteristics of the merger partners, either before (premerger) or after (postmerger) the merger. Here we explore the common drivers for mergers, how we can use these to classify mergers, and how we can classify mergers according to pre- or postmerger institutional characteristics (see box 5.1). Each classification scheme tells a slightly different story.

## Numerous Reasons to Merge, Numerous Forms of Mergers

Organizations get merged, but people do the merging. Some HEI leaders are more inclined to pursue mergers than others. Their behavior is in part influenced by HEI circumstances as well as by their own personal view of those circumstances. Institutional circumstances and personal perspectives can yield a combination of "optimistic" and "pessimistic" views. Both can suggest "opportunity" and "threat." They can be fundamentally motivated by both "fear" (avoidance of competitive threat, financial risk, closure, etc.) and "aspiration" (pursuit of market, reputation, scale, new program offerings, etc.). Regardless of what they are called, the numerous forces and influences that foster consideration of mergers are what we call *drivers*.

The answer to what motivates HEI leaders to consider mergers can be determined in at least two different ways: (1) analyze data from merged HEIs and deduce the reasons for the merger or (2) aggregate the thoughts

### Box 5.1 Categorizing Mergers of HEIs

- **Drivers for the merger, which will differ between merger partners**
  - Financial survival vs. programmatic growth vs. property/capital assets acquisition vs. expansion in reach vs. change in mission, and so on.
- **Characteristics of merging partners (premerger)**
  - Public vs. private, not for profit or public vs. for profit, single discipline/specialized/niche vs. comprehensive, part of a system vs. stand-alone, geographically distant vs. proximate, whether forced or voluntary, small vs. big, powerful vs. not, and so on.
- **Characteristics of the merger product (postmerger)**
  - Vertical vs. horizontal integration, creation of a new institution vs. the disappearance of an old one, change in institutional governance vs. not, and so on.

of HEI leaders who have been engaged in mergers, asking in effect, "What were you thinking?" In fact, we do some of each (see also EY-Parthenon Education Practice 2016). As we proceed with our discussion, note that drivers or motivations for mergers depend on positional perspective; that is, specific factors will not necessarily be the same for all partners in the merger. For one of the partners it may be financial exigency; for the other it may be growth opportunity, and so on.

*Threats as motivators.* Comparative data across HEIs can simultaneously signal threat and opportunity. The most objectively derived threats to HEIs have been associated, at least in part, with poor financial health (see chap. 2). Financial health is a broad concept, however, measured in a variety of ways, none of which is sufficient. To address this problem, analysts rely on multiple financially related measures and aggregate them to create "risk factors,"

> Organizations get merged, but people do the merging.

similar to the analyses of other complex phenomena like physical health or school completion. The more risk factors, the poorer the health of the HEI.

These objective data are helpful but by no means determinative. Among the hundreds of HEIs with multiple risk factors, HEIs with small enrollments are disproportionately represented. But small size by itself does not signal a threat. Small size can also be associated with enhanced institutional nimbleness and niche reputation (e.g., Harvey Mudd College and the California Institute of Technology are two small, niche HEIs with esteemed reputations in engineering). There are not only many vibrant small HEIs but also many relatively large HEIs that are in poor financial health or are otherwise languishing (see also chap. 2).

The old social science maxim "context is everything" applies well here, and financial health is but a part of the local HEI context. Perhaps the most important determinant of merger success is HEI "leadership quality," and it is *not* typically reflected in comparative data.

*Opportunities as motivators.* A goodly amount of "threat data" are systematically reported in higher education, but "opportunity data" are not. For example, being a relatively healthy HEI can weigh in on the opportunity side of the merger scale, providing resources that could be required of a merger (or any other initiative). The theoretical list of opportunities and benefits resulting from merger can be long and alluring, but they are largely identified (and then fleshed out) in the minds of individual HEI leaders. The opportunity data are then not only specific to individual HEIs but also framed as such by the individual HEI leaders who are subjectively factoring in all relevant dimensions.

Unlike financially oriented threat data, the opportunity data portrayed here tend to be more anecdotal, drawn from literature reviews and our interviews with HEI leaders who have participated in HEI mergers. Consider two brief cases and the hypotheses they suggest. In the first, a private college president was presented with the opportunity to merge with ("absorb") a smaller, financially struggling private college that was located midway on a straight line between his beautiful rural, but remote, campus and the major urban center of his state. Per the opportunities he foresaw, the merger resulted in new and significantly enhanced graduate programs for his HEI, a branch campus near a separate population center, and increased connectivity to the largest city in the state. His HEI was sufficiently financially healthy

to take on the short- and medium-term incremental costs of the merger. In turn, the smaller HEI merger partner was able to stave off drastic financial cuts, if not outright closure; preserve many programs and positions; and become a part of an HEI "on the way up" from largely undergraduate to comprehensive status.

The larger HEI president saw the proposal of a merger with the smaller institution as an opportunity, but a number of additional key circumstances reinforced this idea: he had led his prior HEI through a successful merger, his chief financial officer came to the HEI with a background in mergers and acquisitions, and a significant proportion of his governing board were senior leaders in industries where mergers were common. In addition, his HEI's strategic plan had already staked out goals that the merger helped accomplish, including better connections to the "big city." How big a role did these circumstances play in the decision to merge? Difficult to say, but that HEI president thought they were important.

In this case, several merger-related hypotheses come to mind. One, threats and opportunities can be two sides of the same coin, for example, rural as attractively *idyllic* versus rural as disadvantageously *remote*. Two, the relative importance of each threat and opportunity is often in the eye of the beholder, for example, branch campus and new graduate programs versus increased debt and foregone opportunities created by costs associated with the merger. Three, conditions favorable to considering a merger include a modicum of merger-related experience and expertise among senior leaders.

In a second illustration, a completely different set of factors drove the merger of a public four-year HEI and a community college in a sparsely populated state where the legislature was heavily involved in funding and oversight. The community college was located in a remote corner of the state and offered a narrow range of programs. For a variety of reasons—including low enrollments, small class sizes, and low tuition—its financial health was chronically poor and, in effect, difficult for the state to support financially. The public four-year institution, alternatively, had a long history of economic viability and was functioning well. With strong encouragement from the state legislature, the community college was merged with the four-year HEI, making the latter responsible financially for the operation of the community college. Over the ensuing decade, the merger resulted in a tangible expansion in the scope, scale, and reach of public higher education in the state.

The specifics of the original merger left the community college largely intact, including its name and mascot. Initially, there was minimal amalgamation of administrative and academic functions, leaving two parallel (and costly) systems in place. Hence the task of making the merger work financially and operationally fell largely to the four-year HEI, and it was a major multiyear struggle. Over the following decade, however, individual administrative, back-office, and academic services and functions at each campus were slowly integrated, leading to reduced inefficiencies. Today, that HEI's president characterizes the merger as a success, although with explicit qualifiers about the painful, costly integration process of the early years.

Different merger-related hypotheses emerge from this case. One, the principal agents of a merger may include more than the leaders of the HEIs involved, especially for public institutions. Institutional leaders are central, but not necessarily the only, or even primary, drivers. Two, *state*-level finance and *governance* constraints appeared to favor merging over two other theoretical options for these institutions: substantial increases in financial support or more "hands-on" oversight of the community college. Three, while mergers are transactions that occur at points in time, they also set in motion a series of subsequent actions that continue to shape the nature (and "success") of the merger over many years. Mergers are a process, not just an event.

A final note here on four features shared by these two cases. First, financial hardship played a role in both mergers, not only as a driver to merge but also in the resulting transaction and its aftermath. Second, the prospect of financial savings did not surface as an immediate priority in either merger, although both of the merged HEIs benefited from subsequent cash infusions. Third, growth in scope and scale was a common feature in these mergers, even as the individual identities of the two merged HEIs were, in differing ways, downgraded. Finally, leadership mattered in both cases, largely on the "succeeded" side.

### The Role of Leadership in Merger Motivation

HEI leadership is characterized by the ability to consider merging in the context of an HEI's strategic position. As we use the term here, *leadership* is narrowly defined, only representing two competencies: (1) sufficient HEI strategic competency and (2) at least *minimal familiarity* with merger processes (regardless of industry). *Strategic competency* here means merely

that an HEI's senior leadership is on intimate terms with an institution's SWOT (*internal* Strengths and Weaknesses, plus *external* Opportunities and Threats). Minimal familiarity is an HEI's senior leadership's prior experience with mergers; that is, they have had enough experience with mergers to be in a position *to consider whether to consider* mergers.

Objectively derived data alone do not signal "consider merger." Rather, it is how leaders interpret those data. Most leaders of recently merged HEIs framed their position as a combination of threats and opportunities, although the opportunities of the merger outweighed the existing threats to the institution (and the threats of the merger).

More correctly, these leaders *portrayed* that the opportunities outweighed the threats. Sometimes, leaders perceive that threats increase to a point where opportunities to merge become (finally) attractive, or at least worth acting on. Several state-level policy makers have been voicing public concern that all public institutions can no longer be supported at current levels (e.g., those in Texas and West Virginia), and that supporting so many public entities will only foster mediocrity (American Association of State Colleges and Universities 2018). This threat becomes more severe when other trends are factored in, for example, that elite institutions are stepping up recruitment of first-time, low-income students and that peer public institutions in nearby states are chasing more profitable out-of-state students (Lyken-Segosebe and Shepherd 2013; Bransberger and Michelau 2016). These are threats that may not have yet hit an HEI's balance sheet, but at least some HEI leaders will nonetheless interpret these trends as an "increased threat." How institutional circumstances are viewed and the selection of tactics used to address them reflect leadership's *perspectives* on those circumstances.

### Types of Mergers . . . There Are Many

Each HEI *merger* is unique, because each *HEI* is unique. At the same time, serious attempts have been made to create useful categories of mergers. After all, if all we can say about a merger is that it is unique, then there is not much more we can say about variations in mergers. The basic challenge here is to find useful means to categorize types of mergers to help understand general phenomena without masking too many differences that can inform that understanding.

Useful categories (or a taxonomy) of higher education mergers should

enable each transaction to be sorted into a "box" representing one of the possible types, and those possible types would be mutually exclusive (a given merger would fit in only one box) and collectively exhaustive (all of the boxes together account for all mergers). Categories based on more than one variable quickly explode into a plethora of merger types that approximate the granular variation we already have, where each transaction is unique. As we mentioned above, it is possible to classify mergers by the drivers for the merger, or the pre- or postmerger characteristics of the institution(s) (see box 5.1).

### Categorizing HEI Mergers by the Underlying Drivers of the Merger

We can classify mergers of HEIs based on the reasons ("drivers") for the merger, for example, financial survival, programmatic growth, property / capital assets acquisition, expansion in reach, change in mission, and so forth. When analyzing drivers, some investigators have suggested classifying mergers as involuntary versus voluntary, while noting that voluntary mergers seem to be more easily accepted than involuntary ones (Skodvin 1999; Harman and Harman 2003). In reality, however, most mergers will feel "forced" or "imposed" for many HEI stakeholders, regardless of whether an oversight agency mandates the merger, the chief executive drives it, or a faculty group originates the concept (Skodvin 1999; Becker et al. 2004; Cartwright, Tytherleigh, and Robertson 2007). The voluntary status of a merger is more an ambiguous continuum than a clear dichotomy. It may be interesting to identify, but not so useful in interpreting the outcomes of mergers.

In the final analysis, there are a great variety of drivers underlying the mergers of HEIs, and the drivers will likely differ for each of the merging partners. This makes classifying mergers by drivers complex and relatively unwieldy, and signals that a classification of mergers by institutional characteristics pre- or postmerger may be more useful.

### Categorizing HEI Mergers by the Characteristics of the Merging HEIs

We can classify HEI mergers based on the characteristics of the merger partners (see box 5.1). Below we discuss classifying mergers according to differences in financial status, economic sector, or degree hierarchies.

*By differences in financial strength.* When two HEI merger parties are roughly equal in power, size, and reputation, the merger can be referred to as a *merger of equals*, or sometimes as a *consolidation* (Harman and Meek 2002). This distinction is in contrast to mergers with a severe imbalance of power and strength between the merging HEIs, often described as *acquisitions* or *takeovers*. The problem here is that the distinction requires consensus about what "institutional equality" means.

Actually, it is difficult to find many mergers where the HEIs have been "equal," especially when considering programs, degree levels, political influence and power, or financial health. Some HEIs may have more political clout and better name recognition but fewer students, assets, and the like. The least ambiguous HEI classification may be "financial strength," although financial strength does not fully represent institutional strength. Nonetheless, variations in the financial health of merging HEIs definitively influence the nature (i.e., deal points) of the transaction. Consider two merger cases, one where the financial differences were large and another where the differences were much smaller.

1. **Purdue University and Kaplan University: big differences in financial health.** There are numerous defining differences between these two HEIs—public/private for-profit, state-focused/national, in-seats/online, and so on—but the relative difference in *financial* strength is chief among them. Purdue was in a much more financially healthy position than was Kaplan. The deal brought Kaplan's more than thirty thousand students and twenty-five hundred instructors under Purdue's control for $1, plus Purdue agreed to take over Kaplan's substantial debt and also pay its parent company a share of future revenues. Differences in financial health between the two HEIs were exacerbated by Kaplan's additional regulatory challenges associated with low graduation rates and student loan default rates, plus its high reliance on federal student aid subsidies.
2. **The Seminary of the Immaculate Conception and St. Joseph's Seminary: small differences in financial health.** Unlike the Purdue-Kaplan merger, the financial health differences in the Immaculate Conception–St. Joseph's merger were small. Both had long histories of preparing ever dwindling numbers of prospective clergy. The financial health of each was relatively poor, both depending on increased levels

of support from their respective dioceses (which have also experienced sustained financial stress). The basic terms of the deal included closing the Seminary of the Immaculate Conception and sending all of their seminarians to St. Joseph's. One HEI disappeared, reducing losses incurred by its diocese, and the other HEI incrementally grew enrollment and marginally improved the financial health of its diocese.

*By differences in economic sector.* HEIs can be located in each of three major economic sectors: public, private not-for-profit, and private for-profit. In theory, HEI merger partners can come from any of the three sectors and can merge with another HEI from any of the three sectors, such as the aforementioned example of Purdue University (public) and Kaplan University (private for-profit). In practice, however, most mergers take place between HEIs that share a common economic sector (Azziz et al. 2017), such as that between Albany State University and Darton State College in Georgia (public), or between Keiser University and Northwood University (private not-for-profit).

In our review of merger cases that took place completely *within* one economic sector, it appeared that two variables in combination seem to influence the degree of difficulty in achieving merger completion: (1) economic sector of the transaction (public, private not-for-profit, or private for-profit), and (2) "degree of HEI independence" (i.e., whether the merging HEIs had their own separate governing boards or, alternatively, whether the merging HEIs were part of a system, sharing a common governing board). Depending on sector and governance, some HEIs may find it easier to consider and execute a merger than others (see fig. 5.1).

Private for-profit HEIs seem to have the lowest negative political and community reactions to mergers, and their for-profit structure facilitates clarity of merger purpose. Private not-for-profit HEIs have similar freedom from legislative oversight but greater ties to the community, which poses a modicum of constraint. Public institutions, to the degree to which the political sector and the local community play a role in their mission and support, will be under the greatest constraints when considering a merger. Alternatively, being members of the same HEI system with a common governing board seems to facilitate merging within that sector—regardless of sector (see also fig. 1.1).

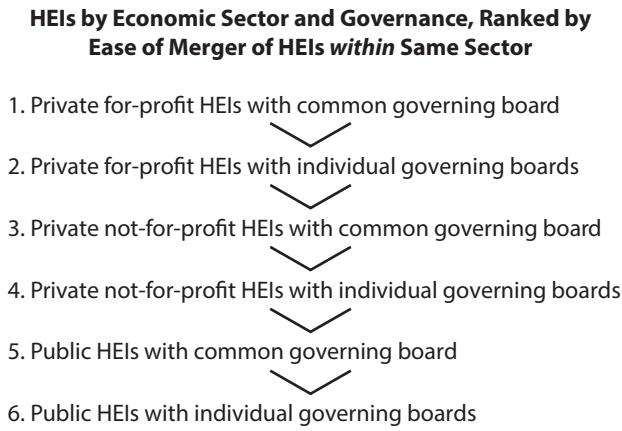

HEIs by Economic Sector and Governance, Ranked by Ease of Merger of HEIs *within* Same Sector
1. Private for-profit HEIs with common governing board
2. Private for-profit HEIs with individual governing boards
3. Private not-for-profit HEIs with common governing board
4. Private not-for-profit HEIs with individual governing boards
5. Public HEIs with common governing board
6. Public HEIs with individual governing boards

**Figure 5.1.** Depending on sector and governance, some HEIs may find it easier to consider and execute a merger than others.

*By differences in degree hierarchies.* Each HEI can be described by the hierarchy of degrees it offers, usually some combination of certificates along with associate's, bachelor's, master's, and doctorate degrees. When the degree hierarchies of merging HEIs are mostly distinct from each other (e.g., graduate for one, undergraduate for the other), the merger is considered to be *vertical*, enabling the merged HEI to provide more levels of degrees. When two HEIs with the same levels of degrees merge, it is considered a *horizontal* merger. Partially overlapping degree hierarchies can muddy up this distinction. For example, the merger of Utah State University (four-year) and the College of Eastern Utah (two-year) is somewhat more vertical than horizontal.

*By differences in curricular characteristics.* HEI merger partners can bring to the transaction curricular offerings that the other HEI partner does or does not have, regardless of degree hierarchy. When the former circumstance dominates, the merger is considered *complementary*, and HEIs gain what they did not offer. When the latter circumstance dominates, the merger is considered *duplicative*, and HEIs gain more of what they already offer. This complementarity continuum somewhat overlaps the horizontal/vertical continuum described above (see fig. 5.2).

Whether the offerings of the merging HEIs are largely complementary or duplicative does not necessarily determine the value of a specific merger. For example, the merger of Fordham University and Marymount College in

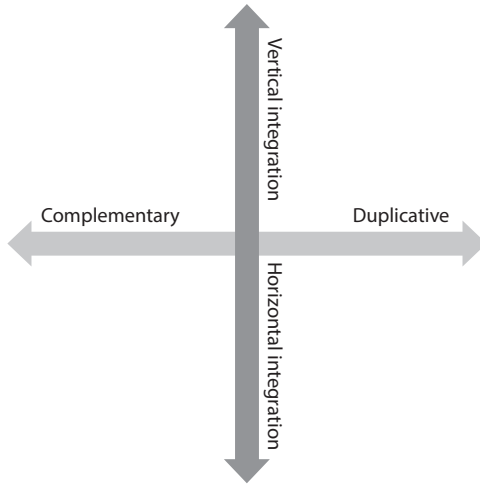



**Figure 5.2.** The HEI merger complementarity/duplicative and horizontal/vertical integration continuums.

2000 was largely duplicative, yet it was undertaken for larger reasons concerning the prior relationship of these faith-based institutions. Both were Catholic liberal arts colleges with undergraduate roots. In contrast, one of the more complementary mergers in recent history might be the University of Colorado Denver and the University of Colorado Health Sciences Center merger, which to date has not fully yielded the expected synergies or cultural assimilation.

### Categorizing HEI Mergers by the Characteristics of the Resulting Merged HEI

We can classify mergers according to the resulting merger outcome, such as whether the merger resulted in vertical versus horizontal integration, led to the creation of a new institution or the disappearance of an old HEI, effected a change in institutional governance or not, and so on. We have categorized merger types according to their *postmerger* outcome, using accreditation status to ascertain whether an individual HEI has maintained or lost its identity as a consequence of the merger. We limited our analysis to HEIs that remained regionally or nationally accredited postmerger.

After reviewing the more than one hundred HEI mergers in the United States over the last twenty years (see Appendix A), we can recognize five

distinct organizational outcomes of mergers. We refer to these as Merger Type 1 (M1), Merger Type 2 (M2), Merger Type 3 (M3), Merger Type 4 (M4), and Merger Type 5 (M5), hoping to shift the emphasis away from labels (e.g., mergers versus acquisitions) and more toward the salient characteristics of each type.

All M1 institutions maintain their same governance and institutional accreditation, although specific programs may have been partially transferred or shared. In M2, individual units or programs are fully transferred from one HEI to the other. In M3, one HEI ceases to exist (i.e., institutional accreditation disappears) when it is absorbed into another as an independent institution, but it retains its *functional* identity within the merged HEI. Those in M4 are similar to those in M3, but the absorbed campus does not retain its separate functional identity. All merging HEIs in M5 cease to exist as such, and a new blended HEI is created with new accreditation (see table 5.1).

Below we examine the five merger outcomes (types) in greater detail, including illustrations. While merger transactions can involve more than two HEIs, for simplicity we refer only to mergers of two HEIs: HEI A and HEI B.

*M1.* When these HEIs merge, they do so only partially, involving the sharing of some programs, functions, or departments but not others; each institution retains its own identity as reflected in its accreditation. M1 institutions are also referred to as alliances, consortiums, partnerships, and federations, among other labels. The M1 transaction can be depicted as:

Aa + B >> Aa + Ba

In essence, HEI A has agreed to share the "a" entity or function with HEI B.

One of the most widely recognized, oldest, and deepest forms of M1 transactions can be found in the Claremont Colleges—seven independent HEIs that have historically shared a wide variety of services while maintaining the individual identity of each. Nearly forty years after the founding of Pomona College, its then president, James Blaisdell, created the legal structure for M1 creation, including a series of transactions and name changes taking place between 1925 and 1997 that incorporated Claremont Graduate University and Scripps College in the 1920s; followed by Claremont McKenna College, Harvey Mudd College, and Pitzer College between 1946 and 1963; with the Keck Graduate Institute of Applied Life Sciences joining in the late

**Table 5.1. Merger Types by Outcome**

| Merger Type | Definition | Related Terms | Graphical Depiction | Identity and Governance Changes |
|---|---|---|---|---|
| M1 | When these HEIs merge, they do so only partially, sharing some programs, functions, or units but not others. | alliances, consortiums, partnerships, or federations | Aa + B >> Aa + Ba | Both HEI A and HEI B retain their institutional accreditation. |
| M2 | When these HEIs merge, some part of one HEI, a unit or program, is absorbed into another HEI and disappears from the original institution. | acquisitions, partial acquisitions, or transfers | Aa + B >> A + Ba | Both HEI A and HEI B retain their institutional accreditation. |
| M3 | When these HEIs merge, one HEI is absorbed into another but retains its functional identity. | mergers, consolidations, or acquisitions | A + B >> Ab | HEI A retains its institutional accreditation; HEI B ceases to exist, and its accreditation disappears. |
| M4 | When these HEIs merge, one HEI is absorbed into another HEI, and the absorbed HEI ceases to exist functionally. | mergers, acquisitions, takeovers, or absorptions | A + B >> A | HEI A retains its institutional accreditation; HEI B ceases to exist, and its accreditation disappears. |
| M5 | When these HEIs merge, both HEIs cease to exist and are blended into a new HEI. | mergers or consolidations | A + B >> C | Both HEI A and HEI B cease to exist, and their institutional accreditation disappears; HEI C is created with new institutional accreditation. |

1990s (Claremont College, n.d.). Today, these otherwise independent HEIs operate through four broad areas of merged functions and services, managed by a separate organization, the Claremont University Consortium, offering business services, technology-related services, student services, and facilities management.

Most other M1 mergers represent more focused and selective integration of HEIs with fewer shared functions. For example, the M1 relationships between Bryn Mawr College, Haverford College, and Swarthmore College (i.e., the Tri-College Consortium) emphasize sharing some courses, providing a

few jointly offered academic programs, and (between two of these HEIs) a common student newspaper and radio station. Financing and governance of these shared functions are relatively informal.

Other collections of M1 mergers vary somewhat in terms of breadth and depth of common services and functions, and the formality of the governance of the M1 interface. The Boston Consortium includes eleven HEIs in the Boston area and is organized around approximately thirty working groups dealing with a wide range of infrastructure and operational issues. Another M1 example, the Appalachian College Consortium, or ACC (thirty-five private liberal arts colleges), functions as a grant-funded federation that member HEIs selectively join on a project-by-project basis.

*M2.* When these HEIs merge, some part of HEI A is absorbed into HEI B and disappears from HEI A; both HEIs retain their identity, but at least one program, function, or department is moved from one HEI to the other. These transactions are sometimes referred to as acquisitions, partial acquisitions, or transfers. M2 can be depicted as:

Aa + B >> A + Ba

In essence, HEI A has agreed to transfer the "a" function or entity to HEI B.

While our analyses have not focused on specific unit transfers such as these, there are numerous examples of research facilities, academic programs, or entire colleges and schools within an HEI being transferred to another. In many cases, these occur between sister HEIs within a system. And in most cases, there was a preexisting relationship between the research or academic unit transferred and the HEI that they were transferred to.

*M3.* When these HEIs merge, HEI B is absorbed into HEI A, and HEI A retains its institutional regional accreditation while HEI B does not; however, HEI B does retain a modicum of *functional* identity. These transactions are often referred to as mergers, consolidations, or acquisitions. M3 can be depicted as:

A + B >> Ab

In essence, HEI B has agreed to be incorporated as a functionally distinct unit within HEI A.

One example of M3 is the merger between Lenoir-Rhyne University and

the Lutheran Theological Southern Seminary (LTSS), one of twenty-six Evangelical Lutheran Church of America seminaries. Postmerger LTSS retained its name and separate identity as a separate campus and program *within* Lenoir-Rhyne University (Lenoir-Rhyne University, n.d.). Another example is the merger of the Medical University of Ohio (MUO) with the University of Toledo (UT) in 2006. The merger created the third-largest public institution of higher education in the state of Ohio. While MUO became part of UT, it retained its campus, many of its programs, and its separate functional identity (as do most health science centers within universities).

Other examples include the merger of the Corcoran College of the Arts and Design with George Washington University (GWU), to become the Corcoran School of the Arts and Design at GWU; and the merger of Southern Polytechnic State University with Kennesaw State University (KSU), to be retained as the Southern Polytechnic College of Engineering and Engineering Technology at KSU.

*M4*. When these HEIs merge, HEI B is absorbed into HEI A, and HEI A retains its institutional regional accreditation while HEI B does not; further, HEI B does *not* retain its functional identity. These transactions are often referred to as mergers, acquisitions, takeovers, or absorptions. M4 mergers entail one of the HEIs disappearing altogether. M4 can be depicted as follows:

$$A + B >> A$$

In essence, HEI B has agreed to be incorporated into HEI A, ceasing to exist.

Examples of M4 mergers abound, although they tend to be less frequent than M3 mergers, since the recommended strategy for most HEI "acquisitions" is to strive to provide the HEI being acquired a modicum of postmerger identity and recognition. In many cases, M4 mergers revolve around real estate or other property acquisition.

An example is Daniel Webster College (DWC), operated from 1965 through 2017. A private not-for-profit HEI for many years, DWC was purchased by ITT Educational Services in 2009 and changed to a for-profit model. ITT declared bankruptcy several years later, and DWC was operated through the 2016–17 academic year by Southern New Hampshire University, after which it closed and the property sold. Another example is the acquisition of Mount Vernon Seminary and College by GWU, which while still being recognized

as the Mount Vernon Campus of GWU today does not retain any *functional* identity.

*M5.* When these HEIs merge, HEI A and HEI B both cease to exist, and their institutional accreditations disappear, in order to be blended into a new HEI C with new regional accreditation. These transactions are often called mergers or consolidations. M5 can be depicted as:

A + B >> C

Examples include the merger ("consolidation") of Bridgemont Community and Technical College and Kanawha Valley Community and Technical College, to form the BridgeValley Community and Technical College, and the first four mergers undertaken by the University System of Georgia: Georgia Health Sciences University and Augusta State University, to form Georgia Regents University (now called Augusta University); North Georgia College and State University and Gainesville State College, to form the University of North Georgia; Waycross College and South Georgia College, to form South Georgia State College; and Middle Georgia College and Macon State College, to form Middle Georgia State College (now Middle Georgia State University).

### Final Thoughts

We have treated the two subjects—motivations to merge and forms of mergers—in similar fashion, seeking to create useful generalizations from a large mound of "unique" merger experiences. The universe of possible motivational drivers is large if only because each HEI leader carries her or his own unique mix of perspectives into the merger process. No single merger classification scheme is fully adequate, but we believe that the acts of classifying and comparing provide a useful context within which to consider specific transactions. In chapter 6 we explore some of the implications of these classifications, especially in determining the odds of merger success or failure.

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# 6
# Success and Failure
## Predictors and Metrics

Most merger attempts are successful when considered at a minimal level (i.e., completed). Moreover, HEIs involved in a failed (i.e., not completed) merger can go on to achieve great things as a result of the merger effort itself. Success in this broader context, then, is certainly more of a matter of degree than of kind. Furthermore, costs (e.g., social and economic) always accompany a merger, and, consequently, an HEI merger that is "truly successful" is more than one that is completed. The two-part cost issue here is to: (1) fully recognize *necessary* merger costs and (2) reduce or eliminate *unnecessary* (often unanticipated or under-recognized) costs associated with mergers. In other words, predictors of mergers are not the same as predictors of merger success. Analysis of *institutional circumstances* has led to likelihood metrics of merger of HEIs, but *leadership behaviors* are more determinative of merger success. We explore these more nuanced issues below.

### Merger Success and Failure—a Continuum

"Success" and "failure" at times require equivocation, qualification, and redefinition when applied to mergers in higher education. In every merger transaction there are some who will declare victory and others who will admit defeat—regardless of whether a specific merger is completed or not. Thus success could be based on an assessment of the mix of positives and negatives, including costs that are the result of the merger. Considering these complexities, we begin with a simple definition of both success and failure. Either a merger is completed (i.e., a success) or it started but was abandoned somewhere along the way (i.e., a failure). These low-bar defini-

Analysis of *institutional circumstances* has led to likelihood metrics of merger of HEIs, but *leadership behaviors* are more determinative of merger success.

tions are happily unambiguous, and they describe the majority of the cases we have analyzed.

But the fact is that the definition of success or failure is often not as clear as assumed. For example, China has moved aggressively to a model of larger, globally competitive comprehensive universities, with more than four hundred mergers involving nearly one thousand public HEIs between 1990 and 2015 (Cai and Yang 2016). Success, when defined as completed mergers, was widespread. When applying the higher purpose of increased global competitiveness and prestige, however, the success of these many mergers is less clear and appears to be more attenuated (see also chap. 4).

There are numerous other examples of mergers, including a series of mergers in what we call the "Georgia Experiment" that provide us with important data on what merger success looks like. We touch upon these data throughout the text. For now, we use examples of a niche type of mergers to illustrate the nuances of what successful mergers look like—those involving academic medical centers.

*Merger success—the case of academic medical centers.* Over the past fifty years, the number of stand-alone medical schools (historically the original organizational structure for most medical schools) has progressively declined, as the need for scale and vertical integration has become more pressing. Consequently, mergers of these institutions with broader universities have increased. These types of mergers also bring an important element into the HEI equation: academic health leaders.

From a merger perspective, the level of integration required of these merged HEIs is, almost by definition, substantially greater in order to be considered successful. Fortunately, academic health leaders often bring to the table a greater level of comfort with the uncertainty, ambiguity, innovation, and change that are part and parcel of a merger (Azziz 2014). These individ-

uals, more than most higher education leaders, are better equipped to navigate an environment characterized by a high rate of change. Furthermore, they are—considering the myriad hospital, practice plan, and health system mergers that have occurred in the past twenty years—more familiar with the process and challenges of mergers. But these leaders may also be less familiar with the needs, demands, and challenges of the higher education sector outside of the academic health realm (Azziz 2014).

Prior examples of academic health-related mergers include the University of Alabama at Birmingham, established in 1966 when the University of Alabama School of Medicine (Medical Center) merged with the University of Alabama's Birmingham Extension Center; Virginia Commonwealth University, founded in 1968 following the merger of the Medical College of Virginia and the Richmond Professional Institute; and the 1982 merger of University of Illinois at Chicago Circle and the University of Illinois at the Medical Center to form the University of Illinois at Chicago. Overall, the success of these mergers seems to be clear, albeit with relatively minor glitches.

More recent mergers include that of MCP-Hahnemann University and Drexel University in 2002; the 2004 consolidation of the University of Colorado Denver (CU Denver) and the University of Colorado Health Sciences Center (CU-HSC); the merger of the University of Toledo with the Medical University of Ohio (MUO) in 2006; the merger of Georgia Health Sciences University and Augusta State University to create Georgia Regents University (now Augusta University) in 2012; and the merger of Rutgers University and the University of Medicine and Dentistry of New Jersey, also in 2012. With the possible exception of the merger of CU Denver and CU-HSC, these mergers, although more recently created, also appear to be a success thus far.

These academic health-related HEI mergers not only were completed, but also more concrete specific operational merger goals were achieved, broadening and deepening the meaning of merger success. For example, consider the merger of MUO with the University of Toledo. Even though this merger was immediately followed by the fiscal crisis of 2007 and 2008, the impact of which continues to be felt in northwest Ohio today, overall there has been some cost avoidance, purchasing power has increased, and many functions have been integrated and downsized (Pepper 2015). Each institution's alumni associations and their supporting foundations have merged. Medical student recruitment has improved dramatically, and undergraduate recruitment

initially increased steeply, leveling off in 2010. The merger is by all accounts believed to be a success in more ways than one (Lloyd Jacobs, personal communication, 2018).

Consequently, merger success is more than merger completion. Success in this setting speaks to improved student, faculty, and community outcomes, greater administrative efficiency, and greater quality and depth of academic offerings.

### Measuring Merger Success: Metrics and Milestones

What exactly does success postmerger look like? A reduction in administrative overhead or costs is not enough to claim success since, as noted below, these are one-time, short-term wins. Will success be measured in total enrollment, degree of student success, student access, diversity on campus, research funding, productivity, quality of the programming, national brand recognition, or rankings? In addition, mergers do not affect all people equally. Faculty and staff who forego employment postmerger have a different perception of the event than do those faculty and staff who join a new, bigger, more robust department after the merger. Success looks different to different stakeholders.

Metrics for determining success or failure should be determined in advance, along with a measurement system, with the understanding that the set of metrics will generally expand with time. Moreover, chosen metrics should be SMART, that is: *S*pecific, *M*easurable, *A*chievable, *R*elevant, and *T*ime based (Doran 1981). Baseline values for the metrics should be obtained early in the process.

Finally, when speaking of merger success, we should recognize that it might take longer to achieve than anticipated. Most observers note that it generally takes at least a decade to assess whether a merger is actually on solid footing and is, or will eventually be, a success (Ahmadvand et al. 2012). Even then, success may be primarily in the eye of the beholder.

### Costing Out Mergers

As mentioned previously, mergers cost. Consequently, for a HEI merger to be considered truly successful, we need to fully recognize and account for what are *necessary* merger costs, while minimizing the burden of *unnecessary* merger-related costs. So far, we have defined success as a merger

transaction that was, at a minimum, completed, a dichotomous yes/no state, perhaps with additional tangible "gains." Yet at the same time, an otherwise successful merger can come at great cost, economically and socially.

Completed merger transactions may come with potentially unavoidable transaction costs or problems that are a direct outgrowth of the merger. Transaction costs (i.e., those that are necessary) should not be conflated with overall failure. Rather, the central issue that confronts us is the degree to which any costs associated with a merger transaction are necessary and unavoidable.

Consider the merger of Kennesaw State University (KSU) and Southern Polytechnic State University. Despite widespread conviction that the merger process was well led by the then president of KSU (Watson 2015), the experience was a psychologically negative one for many stakeholders.

> Apprehension came mainly from faculty, staff and alumni who had strong ties to Southern Polytech. They watched as their institution, which was founded in 1948 as a two-year division of Georgia Institute of Technology and later became accredited as a four-year college in 1970, vanished before their eyes. . . . Campus signage came down and all of the estimated 6,500 Southern Polytech students suddenly became KSU students. Faculty and staff were reassigned, with some deciding to retire or seek jobs elsewhere. . . . The process of transforming two campuses into one was emotional and daunting, and grief counselors were even called in to help some cope with the dramatic change. (Watson 2015)

The KSU–Southern Poly merger was successful (i.e., completed), but at an important cost. Those costs, as well as benefits, can accrue over time. When mergers fail to consummate, their failure can be ascribed to a specific point in time. Alternatively, when they are completed, the metrics of deeper success will vary over a potentially lengthy period of time. For example, many HEI leaders who have led a merger declare that initial restructuring can (and should) occur shortly after the formal transaction is finalized, but changing the culture of the newly merged institution(s) can take several years—at least (see also chap. 17).

While the merger transaction is generally finalized at a specific point in time, the impacts of the merger (both intended and unintended) can develop over time and shape the perceptions of success. Some of the most enduring effects of HEI mergers were captured by Pritchard and Williamson (2008) in their research on the mandated merger in the 1980s that created

today's University of Ulster (UU). Certainly, the religious and political "troubles" engulfing Ireland at that time colored the process whereby the government sought to merge the New University of Ulster (NUU), with campuses in Coleraine and Derry, and Ulster Polytechnic (UP), with campuses in Newtownabbey and Belfast.

The investigators revisited UU twenty years after the merger to assess the views of the remaining faculty and staff who had worked at NUU and UP prior to the merger. Nearly a quarter of all UU academic staff in 2006 was composed of those employed twenty years earlier, at the time of the merger. Although there was acknowledgment of major gains made at UU over the prior two decades, feelings about the merger among these long-term academic staff were strong and undiminished, and admittedly affected their outlook on UU. Sentiments ranged from "We went from being an excellent poly[technic] focused on vocational education to a mediocre university which pays lip-service to teaching and learning and only rewards research" to "the relevance we had been proud of on educational grounds went out the window" (Pritchard and Williamson 2008).

These researchers found that nearly a quarter of the academic personnel of UU still felt that their "person-organization fit" was discordant. Alternatively, according to many other measures, the UU merger was deemed successful, but not without long-run costs. The data from the UU merger raise questions about how (and whether) to measure success and failure beyond the completed/not-completed dichotomy. Certainly, when specific *merger-related* aspirations are achieved—for example, cost efficiencies achieved or enrollments increased—they should be touted.

Simultaneously, specific issues facing a HEI may not actually derive directly from merger-related activity at all, especially long after the transaction is completed. After all, a lack of person-organization fit, as well as many other issues, can arise in HEIs that have never experienced merging. Addressing what appears to be a merger-related problem—for example, low faculty morale—may well require addressing the problem as if it were an *HEI-wide* problem unrelated to the antecedent merger. Consequently, we should not attribute to the merger costs and problems that may be primarily related to the underlying operations or culture of the HEI, albeit exacerbated to a variable degree by the preceding merger.

Unplanned costs and problems that arise from the merger process, while detracting from the overall success of the merger, raise the possibility that

**Box 6.1 Measuring Success and Failure in HEI Mergers**

- Completed or not?
- Additional gains or not?
- Accounted for costs directly related to the merger?
  - Reduced necessary costs?
  - Eliminated, to the extent possible, unnecessary costs?

no merger transaction, including the most successful ones, occurs without *some* problems (not just financial costs) associated with the transaction itself (box 6.1). Those problems may disappear relatively quickly or persist for decades. Visionary leadership can surely mitigate and even minimize these problems, but can it prevent all problems from occurring? Probably not.

### Lessons from Failed Mergers

Successful HEI mergers provide a rich vein of experience to be mined. And, perhaps to a lesser extent, so do failed mergers. Cowin and Moore's (1996) research on mergers from 1988 to 1993 occurring in the United Kingdom's "voluntary sector" (private, nonprofit, charitable organizations) included explicit analysis of failed mergers. Voluntary sector organizations share characteristics of many private HEIs. Both types of nonprofit organizations seek distinctiveness, serve a targeted population of clientele, and depend on voluntary external financial support for operations. Included in their pool of mergers over the six-year time frame of the analysis were seven merger attempts that fell apart before completion.

What were the chief factors that caused the seven mergers studied to fail? There was no single reason, but the collection of issues points to managerial *behaviors* during the merger process rather than HEI *circumstances*. "One merger reached an irreversible stalemate over the appointment of the CEO. One failure was enforced by the local authority withdrawing funding from one of the partners. . . . Two cases recorded such statements as: 'failure of partner to compromise'; 'finance, and partner moved goal posts without consultation'; 'incompatibility, lack of trust.' It was found that several of the parties lacked balance or harmony between board and staff, either in the day-to-day relationship or in the merger negotiations" (Cowin and Moore 1996).

Additional findings from the analysis of failed mergers included what happened to the organizations after merger failure. Failed mergers did not *inevitably* lead to failed organizations. Of the seven institutions tracked in the failed mergers, all had experienced income instability, but three went on to increase their income "substantially." Three continued to experience reduced income but took dramatic steps to cut back operating expenses and to reduce or eliminate their deficits. The seventh agency lost its funding and ceased to exist (Cowin and Moore 1996).

Through their focus on managerial behavior rather than institutional circumstances as a cause of merger failures, Cowin and Moore (1996) encouraged us likewise to focus more on the people involved, rather than on non-leadership HEI circumstances when considering drivers of merger success or failure. Gleibs et al. (2012) took this hypothesis a step further in their study of a merger between a "high-status" university and a "low-status" polytechnic in the United Kingdom between 2003 and 2006. Stakeholders at the two HEIs came to the merger with differing expectations, priorities, and fears—seemingly problematic for a merger. A key concern among university stakeholders was the loss of academic status, and a key concern among polytechnic stakeholders was the loss of practical relevance.

Yet those and other inherent differences did not doom the merger. Rather, stakeholders came to value a "merger structure" that best benefitted their group's standing (Gleibs et al. 2012). More specifically, it was not the inherent similarity or differences in preferences of stakeholders that shaped the successful merger outcome so much as the discrepancy between what merger partners wanted and what they got. When that distance was sufficiently narrowed over time, stakeholders perceived the merger as "fair," and their emotional response to the merger became positive.

### Improving the Odds of a Successful Merger

Given the caveats above, merger success may be more or less "qualified." Understanding that the prediction of a successful merger is never an exact science, the abovementioned experiences highlight a number of areas that seem to be associated with successful mergers, facilitating or, alternatively, threatening success. Rather than "causing" success, the presence of more of these factors has the effect of increasing the odds of a successful merger (not unlike the risk factors associated HEI closings discussed in chap. 2).

*Merger-related factors that improve the odds of success.* Various observers note a number of predictors of success in merger of HEIs (see box 6.2). In general, these reported observations can be grouped into five general areas: (1) those that stem from the qualities and power of the leadership and central administration; (2) those that relate to the complementarity of programs and opportunities; (3) those that reflect the efficacy of internal and external institutional relations and communication; (4) those that allow a speedy process; and (5) those that relate to the sensitive, thoughtful, and deliberate management of human capital needs and concerns (Azziz et al. 2017).

*Broader HEI factors that facilitate or hinder mergers.* As mentioned previously, while it makes sense to focus attention on merger-specific factors that affect the possible outcomes of mergers, it is potentially misleading to presume, even implicitly, that those same factors do not somehow encompass the entire HEI, in a manner unrelated to mergers, for better or worse. "Visionary leadership" in the merger process, for example, is fundamentally dependent on visionary leadership of the entire HEI. More pointedly, when an entire HEI is suffering from pathologies that affect its overall effectiveness, there is little likelihood of successfully executing a focused merger initiative. We have separated out here some issues that inevitably apply to both the entire HEI as well as to the more focused merger process.

An analysis of almost forty mergers occurring since 2000 conducted by EY-Parthenon (Azziz et al. 2017) indicates that successful HEI mergers seem to have a sufficient number of supportive conditions. First, decision makers were otherwise managing their HEIs well while also proactively managing the merger process. They brought a strategic vision for their campus to the merger process, providing a framework for assessing merger possibilities. HEIs desperately struggling to stay alive are not necessarily viable merger candidates, especially for each other.

Second, finances were not the only consideration, although many of the major issues, whether positive or negative, could be traced back to beliefs about their impact on short- and long-run financial health in both academic and administrative areas. Assumptions about a new business model were colored by assumptions about cost savings, economies of scale and scope, program impact, and enrollment growth. In effect, money did matter. To be ultimately successful, however, mergers had to be part of a larger strategic

### Box 6.2 Example Predictors of Merger Success

- Leadership qualities of key actors
- Goal-directed leadership training and development
- New appointments and fresh leadership in pivotal roles
- Flexibility in developing leadership models of governance
- A strong central administration, with relatively greater power vis-à-vis individual units
- Decision makers who manage their institutions well while also proactively managing the merger process well
- Deliberate swiftness and relative speed of implementation
- Geographic proximity of the institutions
- Constant communications to and among key constituents
- A consistent and continuing message regarding the purpose and goal of the merger
- Significant brand recognition or ranking of the merged institution
- The ability to balance the research and teaching portfolios of the affected institutions
- The establishment of centralized cost centers and systems of shared administrative support
- The complementarity, even synergy, of academic programs and degrees in the building of new, cross-disciplinary, or cross-sector complementary offerings
- The creation of common projects or wins
- The ability to ensure job security, if not preserve existing roles
- An emphasis on building new shared traditions and symbols while respecting preexisting traditions and symbols
- Constituencies that are either neutral to the merger or not powerful enough to derail the process
- Finances not the only consideration

*Sources:* Kay Harman, "Merging Divergent Campus Cultures into Coherent Educational Communities: Challenges for Higher Education Leaders," *Higher Education* 44 (2002): 91–114; Kay Harman and Vincent Lynn Meek, "Introduction to Special Issue: 'Merger Revisited: International Perspectives on Mergers in Higher Education,'" *Higher Education* 44 (2002): 1–4, http://www.springerlink.com/index/Q8QKUGYL5BL27KUV.pdf; Alireza Ahmadvand, Kazem Heidari, S. Hamed Hosseini, and Reza Majdzadeh, "Challenges and Success Factors in University Mergers and Academic Integrations," *Archives of Iranian Medicine* 15, no. 12 (2012): 736–40, https://doi.org/0121512/AIM.003; Higher Education Funding Council for England (HEFCE), *Collaborations, Mergers and Alliances in Higher Education—Lessons Learned and Guidance for Institutions* (Bristol: HEFCE, 2012), http://www.hefce.ac.uk/media/hefce/content/pubs/2012/201221/Collaborations alliances and mergers in HE.pdf; Jess Jong and Anna Krenkel, *University Merger Processes and Challenges*, Custom Research Brief (Washington, DC: Education Advisory Board, 2013; Yuzhuo Cai and Xi Yang, "Mergers in Chinese Higher Education: Lessons for Studies in a Global Context," *European Journal of Higher Education* 6, no. 1 (2016): 71–85, https://doi.org/10.1080/21568235.2015.1099458

plan and not an isolated tactic or end point. Important questions to be addressed included: What is the merger intended to achieve? What are the long-term vison and strategic goals? Why is the merger the best alternative to facilitate our long-term vision?

Third, although few constituencies—trustees, government officials, faculty, administration, students, and alumni—were supportive in full, all stakeholders were either at a minimum neutral to the merger or not powerful enough to derail the process. In most cases, with the passage of time, postmerger problems and issues give way to other concerns, interests, and opportunities.

Separate mention should be made here of the factors that have been identified as *hampering* strategic HEI activity, including pursuing mergers and increasing the odds of merger failure. Cameron and Smart (1998), drawing on prior research on HEI ineffectiveness, have studied the negative impacts on HEIs of what they and others term "the dirty dozen," that is, twelve dysfunctional attributes of an HEI that hinder institutional effectiveness (see box 6.3). They found positive relationships (of varying degrees) between these attributes and HEI ineffectiveness.

The import of the Cameron and Smart's (1998) work on HEIs experiencing financial stress is worth noting. They specifically set out to study the degree to which these "dirty dozen" attributes were disproportionately represented among financially stressed institutions, such as those with multiple risk factors, as discussed in chapter 2. The good news for financially stressed HEIs is that fiscal pressures do not necessarily foster such negative attributes. Rather, it is just as likely that the presence of these attributes leads to fiscal decline:

> Regardless of the environment encountered, the methods used by managers and administrators to address the emerging [fiscal and enrollment decline] challenges have more to do with the organization's resulting effective or ineffective performance than the fact that the organization encountered the environment in the first place. *Process and procedure take precedence over the presence of problems*. In this study, the occurrence of fiscal decline and financial difficulty was not strongly predictive of either effectiveness or ineffectiveness. Rather, the associated attributes that relate to the way in which managers manage, and the processes that typify an institution's operations—namely, the dirty dozen—are the greatest predictors of performance. (Cameron and Smart 1998; italics added)

### Box 6.3 The "Dirty Dozen" Factors That Hinder HEI Effectiveness

- Decision making is pulled toward the top of the organization (centralization)
- Long-term planning is neglected (short-term crisis mentality)
- Trial-and-error learning is curtailed (loss of innovativeness)
- Conservatism and the threat-rigidity response lead to "hunkering down" (resistance to change)
- Infighting permeates the organization (decreasing morale)
- Special-interest groups organize and become more vocal (increasing politicization)
- Across-the-board cutbacks are used to ameliorate conflict (nonprioritized cutbacks)
- Leaders lose the confidence of subordinates (loss of trust)
- Fewer resources result in internal competition (increasing conflict)
- Only good news is passed upward (restricted communication)
- Individuals resist cooperation and involvement (lack of teamwork)
- Priorities are unclear and a siege mentality prevails (scapegoating leaders)

*Source:* Adapted from Kim Cameron and John Smart, "Maintaining Effectiveness amid Downsizing and Decline in Institutions of Higher Education," *Research in Higher Education* 39, no. 1 (1998): 65–86, https://doi.org/10.1023/A:1018704428790

In summary, HEI circumstances do not, by themselves, explain HEI performance or preordain merger success or failure, but they do affect the odds of succeeding in a merger transaction.

#### Driving Factors associated with Merger Success: Institutional Circumstances versus Leadership Behavior

As noted above, a number of HEI factors have been associated with the likelihood of an HEI merging; for example, small size and financial vulnerability increase the odds. Alternatively, when we limit our focus to factors associated with merger *success*, a different picture emerges. The circumstances of the HEI become somewhat less important than the qualities of leadership of that HEI. The odds of executing a successful HEI merger (regardless of how success is measured) are driven much more by HEI leadership,

What leaders say and what leaders do (or cause to be done) significantly affect the odds of merger success

both in words and deeds, than by financial risk factors. It turns out, unsurprisingly, that what leaders say and what leaders do (or cause to be done) significantly affect the odds of merger success.

HEI leaders create the mental picture that characterizes *what* a merger entails, *why* a merger is a valued course of action, despite inevitable costs, and *why* the time to merge is now. For a successful merger to occur, this mental picture has to appeal to a "critical mass" of stakeholders from both HEIs that are involved in the merger. Stephenson (2011) describes these mental pictures as "discursive 'policy logics' surrounding higher education mergers."

In her study of eighteen US higher education mergers, Stephenson (2011) conducted first a textual analysis of media accounts and then an extensive review of institutional documents. She concluded that HEI mergers tend to be created as "a social construction or deconstruction of meaning and discourse; perceptions about them are expressed in discursive ways using metaphorical and symbolic vernacular." She found that these "discursive perceptions" (or, in our terms, mental pictures) "can often determine the success or failure [of the merger process] while having a great impact on the institution as a whole" (Stephenson 2011). The objective circumstances of HEIs do not tell their own story; they must be interpreted and framed ("constructed") by those leaders at the front of the merger process. Leader behaviors, of course, encompass leading an entire HEI, not just its merger process.

This is not to discount the importance of institutional circumstances, if only because HEI leadership behaviors and institutional circumstances are not totally independent of each other. The circumstances of individual HEIs are slow to evolve, for better or worse, and the market for HEI leaders usually reflects a crude level of "match" or appropriateness between the HEI leaders and their institutions.

In post-apartheid South Africa, when aspirations for increased quality (reducing inequality) and broadened access of higher education soared, legislated mergers and consolidations were employed to yield "better" institu-

tions, consequently reducing the number of universities and Technikons (technical HEIs) in the country from thirty-six to twenty-three (Chipunza and Gwarinda 2010) (see also chap. 4). Legislative merger directions emerged around 2000, at the same time that a variety of other national reports were issued that focused attention on increased leadership churn among HEIs, unclear merger guidelines and criteria, differing views on the roles of HEI leaders in mergers, and "disturbingly poor quality and credibility of higher education academic leadership at most Historically Disadvantaged Institutions" (Chipunza and Gwarinda 2010). In rolling out merger directions, authorities focused undue attention on resulting governance and structures, to the neglect of leadership behaviors (e.g., transformational leadership qualities). The investigators predictably found significant, widespread dissatisfaction among stakeholders on multiple dimensions following most mergers. It is hard to say how deeply this dissatisfaction mitigates the aspirations of today's South African HEI leaders.

### Final Thoughts

Defining success or failure is not simply a matter of completion or not. As the South African merger experience reported by Chipunza and Gwarinda (2010) highlights, the social costs of a successful (completed) merger can be great, but perhaps still worth the effort. Furthermore, it is sometimes difficult to identify the fine line between the "inevitable" economic and social costs of mergers and those costs associated with merger processes that were, in hindsight, unnecessary and avoidable. Finally, while institutional characteristics can be linked to merger likelihood, leadership behaviors are more determinative of merger outcomes. This sets the stage for a closer examination of the role of leadership during mergers in HEI, a focus of chapter 7 and of chapter 12.

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# Part II
# Increasing the Odds of Merger Success in Higher Ed

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# 7
# The Seven Essential Elements for Merger Success

In chapter 6, we reviewed predictors of merger failure and success, and which mergers are most likely to succeed. But much more important than predictors are those key factors without which a merger effort is likely to abort or fail. In this chapter, we discuss seven critical elements that the literature and our research indicate need to be in place for a merger in higher education to have a high probability of success . . . and without which the probability of failure will be high.

Most observers of mergers in higher education, both in the United States and abroad, and the leaders we interviewed have, although using a variety of terms and stories, stressed the importance of leadership, communication, and process for the success of HEI mergers. Further, these three domains can be fleshed out to what are seven critical elements for merger success, including a committed and understanding governing body, the right leadership, a compelling unifying vision, an appropriate sense of urgency, a robust and redundant communication plan, a strong project management system, and sufficient dedicated resources (see box 7.1).

### A Committed and Understanding Governing Body

The decision to merge HEIs most often starts at the executive and governing board level of an institution (see also chaps. 8–10). And the success of a merger from consideration to completion will depend almost entirely, although not exclusively, on the ability of the governing boards to understand the imperative for the merger, to be knowledgeable of the difficulties lying ahead, to appreciate and compensate for the inevitable pressures that the executive leaders will be under, to accept the fact that perfection

**Box 7.1 The Seven Essential Elements for Merger Success**

**Leadership**

1. A committed and understanding governing body
2. The right leadership

**Communication**

3. A compelling unifying vision
4. An appropriate sense of urgency
5. A robust and redundant communication plan

**Process**

6. A strong project management system
7. Sufficient dedicated resources

does not exist and mistakes will be made, and to fully grasp the need for consistency and support (commonly referred to as "air cover"). A board that waffles, sends mixed messages, is unwilling to accept noise and protest, cannot step up and protect its leaders, or is unclear as to why the merger is needed will lead to the inevitable failure of the merger. We explore these issues further.

First, from an organizational point of view, governing boards have the legal and fiduciary responsibility for the institution. Thus any question of merging or other significant transformation requires the full engagement and acknowledgment of the board.

Second, boards have fiduciary, strategic, and generative roles, including overseeing the financial state; scanning the external environment and devising reactive and proactive strategies; and making sense and meaning while creating insight (Ingram 2009). All of these roles and responsibilities touch intimately with the decision to consider, proceed with, execute, and ensure a positive outcome of an institution's merger.

To be maximally effective, governing boards should become intimate with the institution's trajectory, current financial position, competitive environment, and present and future challenges. And if the situation merits it, which it often does, governing boards should be willing to entertain, at a minimum, proactive thought experiments that consider significant institutional transformation, including collaborations, alliances, and mergers. They

will often be the front line interfacing with external political forces and priorities, particularly in public universities and colleges.

Third, a significant responsibility of governing boards is to appoint the right leaders and to provide support to these individuals during the merger process, which invariably will turn contentious and difficult. Governing boards must understand how difficult and complex mergers are and the degree of opposition that will occur. Under no circumstances should the board undertake a merger publicly to "test the waters" and "see how it goes." It will always go rough. And it generally is not pretty. Consequently, boards should be clear on strategic reason and need *before* they make the decision to undertake a merger.

Additionally, governing bodies should make all possible efforts to protect their selected merger leader, which will help individual leaders focus on the job at hand and better ensure the success of the venture, at least in the immediacy. The board should not strive to seek cover and leave their agents (HEI chief executives and their teams) exposed and unprotected. This will simply be a recipe for merger delay and possible failure, and could unfairly damage the careers of dedicated leaders.

Yet we must understand that the nature of boards is not always conducive to the engagement and focus needed around mergers. For example, many members of governing boards strive to understand the present condition of an institution but do not fully understand where the HEI stands relative to others (benchmarking), what the past trajectory has been (historical performance), and where such a trajectory will place the institution in the future (extrapolation)—limitations that will impede them from foreseeing issues before they occur.

Governing boards, appropriately, should defer to the chief executive of the institution the authority to manage the campus and appoint the administrative team. But they often also defer to the executive the entirety of the responsibility of determining the strategic path forward and monitoring the risks ahead, without fully grasping that chief executives are often left little time to address these issues, and that in any case it is also the purview of the board to do so.

Many governing bodies are highly risk-averse, perhaps being overly cognizant of the political and cultural barriers inherent to change in HEIs. And as unpaid volunteers, taking on the controversy of significant transformation is more than most care to do. The high degree of risk aversion of most

boards means that few will consider transformative strategies—until it is too late.

Alternatively, members of governing boards of HEIs are often captains and executives of industry. These individuals may have themselves managed more than one merger and acquisition (M&A), which is helpful, but might unfortunately confuse the organizational culture of an HEI campus with that of a corporation. Thus they may underestimate the intrinsic level of shared governance in HEIs and the degree of pushback that a campus can exert. Board members need to keep in mind the words of Senator Lamar Alexander, who having served in a number of capacities, including president of the University of Tennessee, reminded us that "the job of mayor and Governor is becoming more and more like the job of university president . . . it looks like you are in charge, but you are not" (Alexander, n.d.).

### The Right Leadership

In contrast to other industries, higher education does not generally develop M&A specialists within. In fact, while it may be an academic topic, those of us in higher education are unaccustomed and generally resistant to change, as discussed in chapter 1. This resistance to change occurs for a number of reasons: partly as a result of a business model that has worked relatively well until the past thirty years, partly because by nature higher education is bound by tradition and history, and partly because the loose organizational configuration of HEIs makes it difficult to align the faculty, the administration, and the governing board.

The type of leaders that can best ensure a successful merger are those we often define as *transformative*, that is, those leaders who can actively manage and achieve significant social, organizational, structural, or institutional transformation. Transformative leaders who are versed and experienced in transformational competencies are critical (Kavanagh and Ashkanasy 2006; Chipunza and Gwarinda 2010) (see box 7.2). Individuals who are able to lead a successful merger of HEIs are generally individuals who have already demonstrated positive and strong leadership qualities and team-building skills. For example, an analysis of approximately forty mergers occurring since 2000 (Azziz et al. 2017) indicated that "successful" mergers seem to have decision makers that were already managing their HEIs well while also proactively managing the merger process.

**Box 7.2 Seven Skills of Transformative Leaders**

- Operational envisioning
- Setting and managing pace
- Robust project managing
- Prioritizing and driving communication
- Thriving in extreme ambiguity and uncertainty
- Willingness to personally and directly engage
- Accepting and managing significant risk

Finally, a common denominator in most studies of mergers has been the link between merger success and the degree of authority afforded the leaders of the merger (Harman 2000). Consequently, it is critical that governing boards not only noticeably demonstrate their support for the selected leaders, but also ensure that these individuals have the clear and unambiguous authority to execute what may often be painful and difficult decisions, and to execute actions that will assist in ameliorating campus anxiety and disaffection. See chapter 12 for further discussion on selecting merger leadership.

### A Compelling Unifying Vision

As for any great transformation, it all starts with the vision. What are we trying to achieve? And why? And, as mentioned, mergers in higher education should be a proactive tactic considered within the context of a larger strategic plan. The merger should not solely be THE PLAN.

The vision should clearly articulate why the merger is the right thing for *all* stakeholders, unifying and informing the university and broader community in clear, simple terms why the resulting institution will be better poised for success. And it should outline the benefits to be gained from that success. The vision presented should allow stakeholders to understand, in general terms, how the new institution intends *to operate*.

Without such a detailed vision, it will be extremely difficult to engage the many members of the university community. Nor will it be possible to craft an effective communication strategy. Finally, a clear vision should have been the antecedent foundation for the decision to merge in the first place. See chapter 11 for further discussion on crafting a strong merger vision.

### An Appropriate Sense of Urgency

Successful change and transformation are best served when there is an appropriate level and recognition of urgency. Creating this sense of urgency among the university community, without producing widespread panic, requires a great degree of transparency and information around the challenges and choppy waters lying ahead for the institution and its future, while simultaneously requiring communication about the great opportunities lying ahead. Careful planning and expertise are needed to instill the right degree of urgency into institutional dialogue and to achieve the right messaging and communication plan.

The absence of an appropriate sense of urgency can derail a merger by not sufficiently energizing critical stakeholders, including faculty, staff, the community, and even the administrative team. It can allow galvanization of those that oppose the merger. And it can also result in an insufficient pace of transformation.

In part, failure to engender sufficient urgency may stem from the mistaken belief that the HEIs in question are really not under significant threat, accompanied by a desire of HEI leaders to only highlight their institution's "positives and wins." Although HEI leaders are generally well prepared to provide good news, they are much less well trained in imparting news of difficult outlooks and impending challenges—what Jim Collins (2001) terms the "ugly truth." This stance frequently leads to a lack of on-campus information and dialogue concerning the current and future challenges of an HEI and, consequently, an insufficient sense of urgency among members of the HEI community, without which any change effort is likely to fail (Kotter 2008).

### A Robust and Redundant Communication Plan

A critical factor in the successful negotiation of a merger is the ability of all leaders to be able to explore potential strategic options, including mergers, confidentially and without fanfare. And then, when a decision is made (e.g., by the governing board), leaders must rapidly shift into providing the necessary transparency and widespread education concerning the urgency of the matter, the decision, and the process forward.

Managing the transition between the confidential exploratory phase of discussions and the public open conversations is critical and should aim to

maximize the sense of trust for the leaders managing the transition and the sense of urgency of the situation. This is clearly a difficult task.

While many campus chief executives tasked with leading mergers are genuinely unaware of the decision to merge until shortly before it is announced, in most cases these individuals have been in some manner part of the dialogue, particularly if they are an existing lead for one of the merging HEIs. Nonetheless, and depending on the situation, it may be best for merger leads to distance themselves from the decision to merge, as that resolution truly rests with the governing board. But, once the decision is made, that same leader should not appear ambiguous or uncertain regarding the value of the merger, and should not be anything less than fully enthusiastic concerning the possibilities and opportunities.

Once the conversation has moved to the open forum, it will be critical to place a strong emphasis on providing information as widely as possible to the extent it is available. Leaders should also help generate the appropriate sense of urgency, without creating panic, paralysis, or exodus. They must understand that as a result of the confidential nature of the decision making around most mergers, few in the university community will initially understand or embrace the transformation as a positive or even necessary initiative. And many will distrust the process, as they may not have been intimately involved in arriving at the decision.

Leaders must understand that information should be shared thoughtfully, with great clarity and simplicity, but that recipients also deserve to be educated as to what the data mean, because transparency without education is not transparency at all. Although the message may be received differently by the various communities involved in the merger, depending on whether they feel they are the dominant party or not, consistency, simplicity, and equality of messaging are critical. Messaging will vary over the life of the merger, however. Any messaging will first highlight the *why*, later the *what*, and finally the *wins*. Merger leads and their staff should take into account that messaging must follow the *five C's of effective communication*:—*C*lear, *C*oncise, *C*onsistent, *C*ompelling, and *C*omprehensive.

Effective communication is not simply issuing news and notices. It is ensuring that there is an audience, that the audience is listening, that the audience understands, and, finally, that the audience has an opportunity to ask questions. As George Bernard Shaw (n.d.) reminds us, "The single biggest problem in communication is the illusion that it has taken place."

**The 5 C's of Effective Communication**

| | | |
|---|---|---|
| **C**lear | **C**onsistent | **C**omprehensive |
| **C**oncise | **C**ompelling | |

Some institutions may have strong internal staff that can assist in designing and implementing the communication strategy; others will be better served by bringing in outside consultants and experts to assist. Additionally, all leaders within the institutions, at all levels, should recognize that it is *their* responsibility to communicate and message in a consistent manner and that communication is not the sole purview of the chief executive. Finally, it is virtually impossible to communicate too much—communication must be constant and unflagging. See chapter 11 for more on managing communication and its transition, and chapter 16 for an overview on communication and branding during a merger.

### A Strong Project Management System

A strong project management system to assist in the timely, aligned, and coordinated completion of the hundreds of different tasks pertaining to the merger of the institutions' infrastructure and operations is essential. It is critical that merging institutions deploy, as far in advance as possible, a strong, nimble, and reliable project management system staffed by experienced and dedicated personnel who have a clear understanding of the various regulatory and financial hurdles that need to be overcome. See chapter 15 for more concerning project management during mergers.

### Sufficient Dedicated Resources

Mergers cost. They require both monetary and nonmonetary resources to accomplish the transformation successfully. While the vision and most of the communication are focused on future growth and potential savings, there are few savings that will occur straightaway, although there are many costs that will arise immediately, for example, new signage and uniforms, and the resources needed to merge information technology (IT) and financial systems, among other analytics. Such costs, depending on the size

and complexity of the institution, may range in total from $2 million to $20 million, generally spent over a period of two to three years.

Therefore dedicated resources must be identified in advance of merging. Ideally, resources should include not only monies and capital, but also dedicated personnel time, as the process of merging is acutely labor intensive. The resources required will be beyond those needed to maintain the normal operations of the institutions as they merge and should not be disregarded under any circumstances.

In some mergers, the needed resources may come primarily from only one of the amalgamating institutions (who will generally exert greater control over the process). In others, costs will be shared. But the need for resources to ensure the success of the merger is one of the primary reasons why institutions should not wait until they are in extremis—when resources are either few or nonexistent. See chapter 12 for further on allocating resources.

### Final Thoughts

While the specifics of mergers of HEIs vary significantly, and there is a wide variety of predictors of success or failure, our analysis identifies seven elements that are critical for merger success, and without which the likelihood of failure is high. These seven elements include a committed and understanding governing body, the right leadership, a compelling unifying vision, an appropriate sense of urgency, a robust and redundant communication plan, a strong project management system, and sufficient dedicated resources. In chapter 8 we begin to explore the stakes involved when considering mergers of HEIs.

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# 8
# Evaluating the Stakes When Considering Mergers

We meandered to a back room in the cavernous state capitol building, within the suite of offices assigned to the governor himself. Plaques of appreciation, past and present. Past memorabilia of economic wins and artistic events. Past the large American and state flags, side by side. We walked into what looked like a large lounge—the governor's personal antechamber. Adorned with oak wood paneling and early Americana furniture, it featured oil portraits of various sizes and degrees of discoloration mounted a bit too crowdedly along the four walls. We sat quietly for a few minutes, with my chief of staff setting up the tripod to display the ten or so chart boards that we had prepared with graphs and data. And we waited. Just as I was wondering whether we would be rescheduled, in came the governor's right-hand man—his chief of staff, a large, hulking older man with white hair and a somewhat stooped posture. He limped slightly as he walked. From the depths of a heavily jowled face a slight smile shone, and he greeted us in a booming voice: "We appreciate all of you coming. The governor will be right out." After a brief pause, he added "He is finishing a call" as explanation. More or less in unison, we all expressed our appreciation for his time and that of the governor, and how we all recognized that their time was so much more important and valuable than ours. . . . And then, from the back of the room, through a door that I had not seen previously, entered the great man himself, followed by two youngish-looking men. Pleasantries were once again distributed all around. With a clearing of throats, we all sat

down, with the exception of my chief of staff and me. We were there to give the governor a report regarding the state and future potential of the college I was leading as chancellor. What was my assessment? And what were my suggestions? As we started our presentation, flipping through the chart board, I could not help feeling like one of those politicians on the nightly news, displaying some data curve or another on the house floor. I told the governor that remaining, and more importantly succeeding, as a stand-alone institution was going to be difficult. We likely wouldn't make it through another recession, and even worse, we might not make it through another economic expansion, when our many potential students would choose the job market over the classroom. We came to my final chart board. On it were three choices. Remain as is. Be acquired by the flagship. Or merge with a local sister college. And it was only then that the governor, who appeared to have been losing interest over the ten minutes of my presentation, shook his head awake and said in a quiet voice, "Ma'am, mind repeating that last option again?"

■ ■ ■

### The Exploration and Consideration Phase

Much of the work involved in merging takes place long before any formal decision to merge is made, a period that we term the Exploration and Consideration Phase (see box 8.1 and fig. 1.3).

The Exploration and Consideration Phase represents a complex and delicate process, perhaps the most difficult of all the phases of a merger. It is the one that is most easily disrupted or commandeered. It is at this stage that most "failures" occur, because most failures in HEIs mergers are failures of consideration. When HEI leaders choose not to even contemplate the possibility of a merger, merger options are foreclosed to that HEI. Even when mergers are eventually discussed, they often are mentioned only cursorily, treated as the "Tactic-That-Must-Not-Be-Named." For many HEI leaders, even speaking of mergers feels like betrayal or capitulation.

Leaders take an inordinate personal and professional risk when even discussing a merger. Yet not proactively considering the option, not having thoughtful deliberation, or not vetting it with select stakeholders may in

**Box 8.1 The Phases of a Merger**

- Consideration/exploration
- Premerger
- Merger
- Early postmerger
- Late postmerger

many cases be the greater infidelity. And if the school eventually fails or closes, such a decision (or lack thereof) may expose governing boards and campus leaders to potential legal consequences for breaching their duty to act in the best interest of the defunct school (Krantz 2018).

The Exploration and Consideration Phase begins the moment the possibility of a merger enters the strategic thinking of those individuals responsible for, and with authority over, the organizational structure of the HEI. The phase may vary from a few months to years in some cases. Like all innovations in decision making, considering a merger (or any other innovation or transformation) requires that governing boards, working with their chosen executives, embrace their generative role.

Those responsible for strategic planning must implement a candid and deliberate process of institutional and self-assessment, while adopting those critical and strategic thinking habits that will allow them to objectively assess the institutional future and all possible response options. These habits include regularly scheduling strategic analysis sessions; programming data-driven assessments or dashboards; appropriately leveraging outside (and presumably more objective) observers and experts; and establishing and fostering a governing board culture that accepts or even embraces criticism, considers different voices and thoughts, focuses on data, and is willing to manage risk.

There are various steps to exploring or considering the merger option, some of which may run concurrently, including: (1) determining candidly and

Most failures in HEIs mergers are failures of consideration.

**Box 8.2 Steps in Exploring and Considering the Merger Option**

1. Determining current and future state
2. Considering and analyzing all strategic options
3. Performing an environmental scan
4. Identifying a merger partner
5. Arriving at a decision
6. Communicating the decision

objectively the HEI's current and future state, (2) considering and analyzing all strategic of options, (3) choosing a merger partner, (4) performing an environmental scan relevant to the "odds" of a successful merger decision, (5) arriving at a decision, and (6) communicating the decision (see box 8.2).

### Determining Current and Future State

The process of consideration begins with a frank, candid assessment of current institutional state and, most importantly, what the future might look like. These assessments should occur at regular intervals and be frequent enough to identify threats and changes in the environment sufficiently early to allow for preemptive responses and also be structured while including opportunities for open and informal dialogue and exchange. They must be data and analytics driven and, optimally, expertly moderated. Governing boards should focus on predictors of institutional health and growth potential (O'Neill and Barnett 1980a).

A significant risk, however, is that governing boards may not have the willingness to face the hard facts of an uncertain and perilous future—the "ugly truth," as it were (Collins 2001). Fewer still are willing to contemplate transformational strategies, including mergers. This is itself a risky stance in the face of a rapidly changing and aggressive environment, which in part accounts for the increasing numbers of HEI closures that are occurring across the nation.

This is a time where governing boards might consider using external benchmarking to assess the true state of their institution, aggregating comparative information on finances, endowment, reserves, debt, enrollment, reach, reputation, and growth potential. They might wish to engage external

observers or experts who may provide a more objective assessment of the institution's present and future state.

And yet, to be fair, it is nonetheless difficult to determine when that elusive "breaking point" has been reached. O'Neill and Barnett (1980a) remind us of this by recounting the story of a trustee who uttered in frustration, "This college has been in financial difficulty for 125 years. How do I know that God won't provide and see it through yet another year?" Many HEIs continue to limp along, never quite dying but never quite fulfilling their promise.

### Considering and Analyzing All Strategic Options

In most circumstances, undertaking an organizational merger (as opposed to a simple amalgamation of property) is preferable, and it is often a better strategy for students, faculty, and staff, than an institutional closure. Consequently, many leaders and governing boards will entertain the idea of a merger, but only when closure is imminent (see chap. 5 for more on predictors of institutional closure).

The problem with this approach is obvious. When leaders of institutions that are on the brink of failing begin to seek out partners, they find they have few if any options. Many fail while searching for that elusive "savior" merger partner. Additionally, leaders must remember that institutional control during a merger is primarily the result of the type of merger and the underlying intent (Azziz et al. 2017) (see fig. 8.1). The more an institution depends on the merger for survival, the less control that HEI will have over the process and its future.

Ideally, a better approach to planning is one that embraces a strategic plan that considers all options from the start, including mergers. The plan should not depend on finding, or even reaching, that elusive tipping or breaking point (Sterling Partners 2012), but rather on taking a proactive approach to the future of the institution. Appropriate organizational changes should be considered well in advance, when the institution is still in a relatively healthy state. This is where the governing board's role and responsibility in strategic planning are best emphasized.

Mergers of HEIs by themselves should not be the sole tactical plan, however. Further, a merger should not only focus on financial gain but also should address a variety of strategic needs (e.g., enrollment, reach, programs, degrees, facilities, unique resources) that while not directly tied to finances do have financial implications.

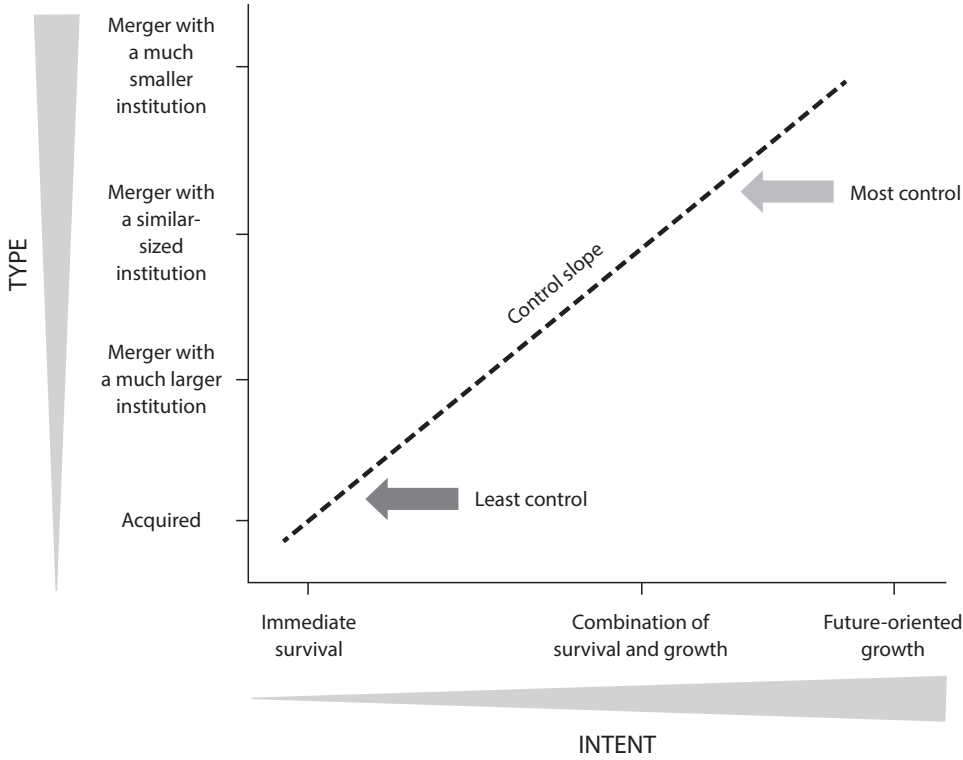



**Figure 8.1.** The relationship of institutional control over a merger, as a function of type of merger and the underlying institutional intent. *Source*: Ricardo Azziz, Guilbert C. Hentschke, Bonita C. Jacobs, Lloyd A. Jacobs, and Haven Ladd, *Mergers in Higher Education: A Proactive Strategy to a Better Future?* (New York: TIAA Institute, 2017), https://www.tiaainstitute.org/sites/default/files/presentations/2017-09/TIAA%20Institute_Higher%20Ed%20Mergers%20Report_Azziz_September%202017.pdf

To the good, most strategic plans of HEIs are inclusive and aspirational. But not all HEI governing bodies engage in regular strategic assessments. They may erroneously consider the exercise an excessive use of their time, or beyond their expertise, or necessary only at significant intervals of time (e.g., five years or more), or the appropriate sole purview of the institution's chief executive. And even when doing so, many boards prefer to embrace a path calling for the lowest risk possible.

Thus many strategic assessments tend to be incremental in nature, rather than ambitious or transformative, originating as they do in an institution's understanding of "where it can go," rather than "where it should go" (see fig.

1.1). This process tends to result in strategic thinking that is somewhat generic, incremental, and supports the status quo, while some of the more significant institutional threats or weaknesses may be go undetected or, more commonly, underappreciated. Consequently, governing boards must engage in and, if necessary, drive a candid and data-driven assessment of their HEI's current and future state, and strategic assessment and planning must consider all options.

### Performing an Environmental Scan

The environmental scan is an exercise that is only useful if the "what seems to be" that comes from an environmental scan is combined with the "what if we . . ." that is associated with considering mergers and other strategic possibilities. At some point, preferably earlier in the Exploration and Consideration Phase, institutional leaders should perform a systematic environmental scan to help identify those factors that may favor or impede the merger. This would include preliminary consideration of potential merger partners in that scanned environment. The environmental scan will help them estimate the odds of a successful merger decision.

During the environmental scan, institutional leaders should seek the thoughts of leading members and influencers from the local community, elected officials, alumni, donors, students, staffs, faculty, and other relevant stakeholders. These should be conversations of "what if," while reassuring them that no decision has yet been made. The discussion should be preceded by sufficient information and data, so as to place the options being considered in their proper perspective. Such an environmental scan will not only allow leaders to gauge what the barriers might be to a merger, but also may provide new and unique insights into options and strategies. Assuring mutual confidentiality at this stage of exploration is critical.

O'Neill and Barnett (1980b), in describing the process of school *closures* (not mergers), noted a few of the reasons for and against secrecy at this stage. Reasons cited for secrecy include minimizing the risk of negative vendor action, decreasing the difficulty of subsequently protecting assets, and minimizing the loss in philanthropic support and enrollment. Against keeping exploratory deliberations secret, the authors suggested that excluding students, faculty, and staff in the decision making was essentially unfair, as they had the most to lose. They concluded that a decision openly arrived at could generate greater support and cooperation by college constituencies

and reduce the human trauma associated with the transformation, and a process of open decision making may help identify sources of support previously unavailable to the institution.

In discussing mergers with leaders that have led them, however, there appear to be two overarching reasons for preserving a degree of confidentiality during the Exploration and Consideration Phase. The first is to minimize the risk of unnecessary anxiety and uncertainty, which can detrimentally affect student enrollment and campus morale, create uncertainty on campus, and instigate a flight of valuable staff and faculty. Confidentiality will also prevent those individuals who may want to prematurely obstruct the process from coalescing and organizing. An analysis of almost forty mergers occurring since 2000 indicated that although successful mergers seemed to have few constituencies that were fully supportive, all stakeholders were either at a minimum neutral to the merger or not powerful enough to derail the process (EY-Parthenon Education Practice 2016).

As may be expected, there is no one right answer, and local circumstances and tradition, academic practice, administrative style, good public relations, and good sense all play a part in the decision for or against relative secrecy. But the reality is that while the decision to merge is one that affects the entire university community and beyond, and requires widespread engagement, it is also one that usually cannot be reached through an open consensus-driven process. Nor is it one that usually begins at the grassroots level. Consequently, the governing board and other responsible leaders must be able to first, confidentially and without added pressures, carefully study, gain input, vet the option, and arrive at a decision. See chapter 11 for more on managing the transition from closed to open communication in mergers.

### Identifying a Merger Partner

As for mergers themselves, the choice of merger partners is a tactical decision that should be part of the broader strategic plan. Choosing a merger partner may occur through an ad hoc process, or through a systematic open or closed search process. Numerous potential partners may well be considered in the identification process. The choice of a merger partner should not only address strategic needs but also should consider other factors that may facilitate the success of the merger, such as preexisting relationships between institutions and their governing boards, geographic distance between the institutions, similarity in campus cultures, similarity in missions, verti-

cality and horizontality of programming, dominance of opposing parties, and so on. Choosing a merger partner may occur before, concurrent with, or after an environmental scan to assess support and obstacles to a possible merger. Chapter 9 details further the process of identifying a merger partner.

### Making and Communicating the Decision

A frequent issue that many organizations face, particularly "loosely" federated organizations such as HEIs, is that the processes, systems, and authorities for arriving at any decision are often ambiguous and unclear—particularly for difficult decisions. And in some sense, transformative decisions, such as a merger, become a "point of no return," not because the decision cannot in theory be reversed, but because, once announced publicly, the decision takes on a life of its own.

Consequently, decisions about significant organizational transformation are often delayed inordinately, such that even those institutions that start their deliberations early in the process of consideration end up pressed for time when trying to execute the tactic. Or they simply fail to execute at all and are left to deal with the consequences of their inaction. Hence it is critical that governing boards and their chosen leaders have a process for identifying and examining difficult choices, for example, as part of a robust enterprise risk assessment process.

Once a decision to merge is made, it behooves institutional leaders to move forward with implementing the process and to communicate the decision as expediently and as broadly as possible. No secret can be kept forever, and the longer the decision makers try to keep their resolution from being known, the greater the risk that the information will be disclosed and they will find themselves on the defensive, rather than in control of the message.

Perhaps one of the most difficult operational issues of the Exploration and Consideration Phase, beyond considering the possibility of a merger, choosing a partner, and making a decision, is managing the switch in communication and engagement that needs to occur, transitioning from environmental scanning and confidential deliberation to open dialogue and public communication.

The switch occurs once a decision to merge has been made, with institutional leadership swinging into full open-communication mode, leveraging the widespread sense of urgency they have hopefully generated prior to considering a merger. While many tactics to assist in this communication tran-

sition should be considered (see also chaps. 10 and 11), one of the most effective will be to establish preexisting trust between the governing board, the administration, and the university and local communities, to the extent possible. Also useful will be the overt support, and willing confidentiality, of those individuals contacted during their initial vetting.

### Final Thoughts

The Exploration and Consideration Phase is a critical period of time, during which HEI governing boards and other leaders are willing to consider all strategic options, including mergers, to ensure a better future for their programs and students. These leaders should begin by determining the current and future state of the institution; considering and analyzing all strategic options, including transformations such as mergers; performing an environmental scan to assess the feasibility of a merger; and identifying a potential merger partner. Being able to arrive at a decision to move forward (or not) in a timely, cogent manner will be critical, as will be managing the transition in communication from closed, confidential deliberations to open, transparent dialogue. Once the decision to move forward with a merger is made, the operationally complex part of the process begins. Subsequent chapters address the various specifics of effecting the merger process, with chapter 9 providing some clarity to the complex process of finding, evaluating, and choosing merger partners.

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# 9
# Finding, Evaluating, and Choosing Merger Partners

Partner identification, evaluation, and negotiation are central to merger success, but historically these have been as much ad hoc and driven by circumstance as purposeful and intentional initiatives. Partnering is not simply a "logical" sequence of events, but part of the larger, merger-related process that may consider partners at numerous stages along the way and within a variety of potential factors. It is useful to consider partnering in four stages, including (1) creative consideration, (2) confidential consensus development and data analysis, (3) negotiation, and (4) public dialogue. Furthermore, within each of these stages, there should be consideration of strategic and cultural fit. The processes prior to the official announcement of the decision to merge are arguably the most important ones in determining ultimate merger success (see also chap. 8).

In this chapter, we review the partnering process assuming that an HEI has the ability to choose such a merger partner. But there are a number of mergers, such as those mandated between two HEIs within a system by its governing board where the merger partners are preselected by an external entity.

### Partnering throughout the Merger Process—It Takes Two

Analyzing merger partnering forces us to acknowledge the duality of mergers, as each HEI is simultaneously considering the other. Merger partner considerations begin long before a merger transaction, while analysis of merger partners occurs before and continues even after the formal transaction. We assume that this process aspires to establishing a long-term pro-

**The Four Stages of Merger Partnering***

1. Creative consideration
2. Confidential consensus development
3. Negotiation
4. Public dialogue

*Within each of these stages, consideration of strategic and cultural fit should be undertaken.

ductive relationship, while recognizing that many early-stage interactions will not be lasting.

*Creative consideration.* Merger partner considerations begin with hypothetical imaginings—"How would my HEI fare if we merged with that other HEI?" This stage of *creative consideration* is subjective, abstract, and often desultory. Analysis of these imaginings exposes assumptions, questions, information needs, and required stakeholder involvement. Many HEIs may be considered, but only a few warrant additional significant resource-consuming thought.

Although our research focused primarily on formal merger attempts where the "final" partners have already been declared, anecdotal evidence suggests that during this stage of creative consideration, many mergers between HEIs are considered and even discussed in a preliminary and informal manner. It is often amid the accumulated experience from such informal interactions that an action plan emerges. In the best of circumstances, two HEIs are evaluating each other, each gathering data, conducting analyses, engaging key internal and external constituencies, and seeking the political will and financial resources required to proceed.

*Confidential consensus development and data analysis.* The stage of confidential consensus development and data analysis is where many potential mergers will effectively be derailed. The dual purpose here is to gather constituent thought and hard data while simultaneously fashioning an acceptable vision of the merged HEI, all confidentially, which is easier said than done. Typically, few members of a university community will openly advocate

for a merger, even though many may privately hold a positive view of the option. As such, keeping any significant conversations truly confidential will be difficult, if not impossible (see also chap. 11). This stage also includes significant data gathering and analysis. Consideration is a given, for example, to readiness, financial situation, and mission congruence.

Throughout this and all stages of the merger, the development of a *positive postmerger vision* for the merged entity is critical. Ultimately, this process must engage both partnering HEIs. Further, this process of constituent assessment and data analysis must produce a vision of a future merged HEI that is significantly better than *the current state of each HEI*. This future vision must be compelling, inclusive, and operational, such that most observers can visualize, with certain degree of specificity, what the future may be like. For example, an institution should not be focused solely on being the best, but more specifically on "being the best by leveraging our new unique blend of science, engineering and design" (see also chap. 11).

*Negotiation.* Once the stage of confidential consensus building and analysis is relatively complete, the stage of negotiation begins in earnest. At this pretransaction stage, it is critical to begin assessing the needs of both HEIs, including the designation of leaders and resources should the merger proceed. Potential "deal-breaker" issues should be addressed at this point, including the often controversial issue of naming and the naming or renaming of key HEI units. The process of negotiation may ultimately signal that the partners are not as compatible as the earlier stages of the process had suggested. See chapter 10 for details regarding the stage of negotiation.

*Public dialogue.* Following or simultaneous with negotiation, there will be a move to begin the stage of public dialogue, with the announcement of intention, vision, and expected time line. It is best to obtain sufficient engagement and support of key stakeholders prior to going public. Public discussion is always inherently incomplete, owing to the enormous variability of circumstances and second-order effects encountered. Some of the major permutations of the public dialogue stage are discussed in chapters 11 and 12.

### Partnering Complexities

The odds of a successful merger increase with the selection of the right partner. But the *first* partner considered may not be the *best* partner.

Partnering is as much an art as it is a "logical" process.

For example, in the merger of Champlain College and Woodbury College, in Burlington, Vermont, Woodbury's President Larry Mandell had previously approached two HEIs and decided not to proceed (Walters 2008). In the later successful transaction, he was able to perpetuate his institution's mission along with securing a position for himself.

Mergers can have unplanned consequences. For example, the announcement of the intention for Champlain College and Woodbury College to merge caught the attention of Community College of Vermont (CCV) President Timothy Donovan, leading CCV to buy Woodbury's physical assets in Montpelier, Vermont, from Champlain (Allen 2008). This purchase brought in much-needed cash to the transaction, while simultaneously producing a "win" for the people of Montpelier and CCV.

Were these happy endings the result of finding the right partner, or of being lucky with the chosen partner? Certainly, finding the right partner is important, but partnering is still as much an art as it is a "logical" process. The putative rational process masks numerous dimensions that will determine whether partnerships will ultimately work long past the transaction. It is also a mistake to suggest linear determinism, wherein specific circumstances of the partnering will produce a certainty of success. Part of this "antilogical" bias can be attributed to the many ways that merger partners find each other—crudely similar to the many ways that marriage partners find each other. We briefly discuss below a few of the partnering complexities that HEI leaders may encounter.

*Who decides on the partner?* Let's start by considering that mergers are often not voluntary; the decision to partner and with whom may belong not to the HEI or its campus leaders. As Skodvin (1999) summarized in his study of HEI merger successes and failures in Australia, western Europe, and the United States, "forced" mergers were more common than "voluntary" ones. Moreover, success or failure seems unrelated to this parameter. While partner selection in forced mergers is certainly *somebody's* decision, both the decision and the criteria for determining partners often rest with authorities

beyond the campus. Furthermore, as discussed in chapter 5, most mergers will feel forced to a significant proportion of stakeholders, regardless of how they evolve or who drives them.

There is often a gray area between the purely voluntary and purely forced mergers described by Skodvin. Hinfelaar (2012) describes external "push" and "pull" factors that seem to allow HEIs to make their own merger and partner selection decisions but in effect leave HEIs with little choice but to merge. Push factors are external, implying certain inevitabilities or even threats driving organizational change; pull factors can be internally driven or created by attractive options offered to institutions, aligned with a strategy for organizational development (Hinfelaar 2012). In her study of the merger between Ireland's Limerick Institute of Technology (LIT) and its Tipperary Institute (TI) in 2011, she identified factors that strongly incentivized the merger.

External (push factors) incentives can entail national governments "urging, sometimes forcing" mergers with mandated cost reductions and assurances of support for each HEI. Internal incentives (pull factors) may include predictions of increases in academic offerings and increasing enrollment. These internal factors may be reinforced by government promises. Both internal and external forces can be negative as well as positive. Both LIT and TI experienced powerful but differing sets of incentives to merge, largely framed by government policies. For example, one government report recommended closing TI because of its small size (Hinfelaar 2012). Consequently, although the institutions were technically free to decide for themselves, the choice was essentially framed as "amalgamate or perish." Both HEIs chose to amalgamate. The message from this case is not so much "Who decides?" as it is "What are the likely consequences of the alternative for each of the partners?"

*Merger partner identification as a Rorschach test.* The value of a potential merger partner can be framed simply in terms of what that partner would contribute to one's own strategic mission and direction, and at what cost. But answering these partner-related questions must begin with institutional self-examination. In fact, it is difficult to think about the ideal characteristics of a merger partner without first reflecting on one's own institution's priorities, challenges, and opportunities. What attributes of a merger partner would complete the strategic vision for my institution? What pro-

grams would complement or enhance our scope and status? Would financial security improve ensuring longevity? A clear sense of relative priorities for one's own HEI is essential in the evaluation a potential merger partner.

What have HEIs generally valued when viewing merger partners, and are those values evolving? In his review of HEI mergers globally, Lang (2003) identified efficiency, broadly defined, as a leading reason for mergers. Contribution to size and scalable efficiencies is a common theme reiterated throughout this book. But Lang went on to note several added cautions to this generalization.

One, at some point the benefits of increased size may well begin to flatten or decline. Two, breadth may replace efficiency as a primary priority, suggesting different criteria for merger partners. Three, and most salient, is Lang's conclusion that to the extent that breadth, rather than efficiency, becomes the overriding strategic value, interorganizational relationships *other than complete mergers* may be less constraining and provide a greater array of options. Ultimately, the form of partnering derives from both the *circumstances* and *preferences* of both HEIs.

*Internal restructuring as a precursor to partnering.* Institutional self-examination will inform the external search for partners, but that same internal analysis may reveal institutional circumstances that warrant attention prior to considering merger partners. The 2014 merger of Thunderbird School of Global Management and Arizona State University (ASU) is exemplary of this point, with intra-institutional restructuring at ASU assuming precedence. Many of the aspirations realized through external mergers, such as efficiency and diversity, were first addressed through *internal* merging and restructuring (Capaldi 2009). Features of ASU's reorganization included movement from traditional departmental and degree-level organizations and its associated decentralized control over faculty hiring, program development, and course offerings, toward a more centralized organization. The new organizational structure allowed little incentive for duplication or inefficiency.

One of the fourteen "new" academic units at ASU, the School of Life Sciences, resulted from the merger of the departments of biology, plant biology, microbiology, and some faculty from the departments of philosophy and history (Capaldi 2009). In that new school, departments were replaced by "six flexible faculties from five different departments with differing cul-

tures, modes of working, and resources. The merged school produced 11 separate degree offerings, giving a broad and comprehensive menu to students who wish to either generalize or specialize in their undergraduate careers. There is no direct relationship between the six faculties and the 11 degree offerings. Individual faculty with specialties needed for a particular course are spread across the school" (Capaldi 2009). These internal mergers fostered more efficient and clearer academic and operational management, which allowed ASU leadership to be able to consider the merger with the School of Global Management in a more strategic manner.

### Partnering Framework—"Strategic Fit"

One of the most helpful conceptual frameworks for partner evaluation is *strategic fit*, which is essentially an evaluation of how well both HEIs fit with each other within their broader strategic objectives. Fit is not entirely an objective measure, of course. As Arbuthnott and Bone (1993) noted in their in-depth study of one HEI merger in the United Kingdom, when fit is perceived to be "good" by both parties, the likelihood of merger success increases, regardless of other circumstances. Whether the search is for the "best possible" partner or for a "good enough" partner, each decision has its own ramifications and associated risks and rewards within a milieu of significant uncertainty. When Jordanhill College of Education and the University of Strathclyde voluntarily merged, a good strategic fit was believed to exist and was enhanced by good political timing. Both HEIs had previous experience with failed merger partner discussions.

Jordanhill had been offered an unacceptably unequal deal in merger discussions with the University of Glasgow, which would have resulted in Jordanhill being "academically dependent" but "not a part of" Glasgow. Strathclyde had been in negotiations with Glasgow Polytechnic, but it became increasingly apparent that Glasgow Polytechnic was going to pursue university status without the merger. Moreover, the programs and courses of the two HEIs were discovered to not be complementary. Separately, Craigie College switched partnering discussions from Jordanhill (the two institutions had extensively overlapping teacher education programs) to Paisley College owing to Craigie's hunch that Paisley had the better chance of becoming a university, and if Craigie merged with Jordanhill, it could lose its own identity as Jordanhill continued its discussions with Strathclyde. This case narrative helps to illustrate the shifting realities of merger partner selection.

When fit is perceived to be "good" *by both parties*, the likelihood of merger success is increased, regardless of other circumstances.

The strategic fit conceptualization places the merging organizations side by side and seeks to understand how well they might "fit" with each other now and in the future. The analysis includes not only the organization as a whole, but also the individual parts of each organization. But most mergers, whether successful or not, are framed in terms of strategic fit. In the Purdue University and Kaplan merger, Purdue gained a law school and extensive online capacity to reach underserved Indiana students, while Kaplan gained a secure financial and organizational "owner."

When Clarkson University merged with Union Graduate School, it gained much-needed capacity for graduate education and a strategic and desirable location in Schenectady, New York. Union, in turn, secured a larger, more comprehensive university environment with added financial health.

When North Dakota State University merged with Sanford College of Nursing, it gained access to a campus and lower division undergraduates in western North Dakota, and Sanford gained access to a comprehensive university home. In turn, the state of North Dakota gained a desperately needed increase in nursing graduates.

In each of these illustrations, the elements of fit may seem initially to be self-evident. Further consideration, however, demonstrates that elements of fit can be subject to conscious analysis and rendered more selective, less subjective, and less partial than these illustrations might suggest. Early-stage generalizations about fit must be backed up by the rigorous analysis of the operational assumptions underpinning them.

For example, an important factor in modulating strategic fit is the geographic distance between the merging HEIs, which can markedly shape the complexity and difficulty of assessing fit. In their study of Norway's merger of five HEIs, Norgård and Skodvin (2002) found that geographic distance worked against the creation of an integrated operational culture and encouraged keeping organizational structures aligned with separate campuses, which in turn discouraged creation of new social networks. The merger of Telemark College's five formerly independent campuses achieved a modi-

cum of *administrative* coordination, but because departmental structures remained separate and campus based, *academic* coordination was minimal. Geographic proximity or separation matters, although in some cases distant merger partners may be purposely sought in an effort to expand institutional reach.

In any HEI merger, strategic fit will likely be less than perfect for several reasons. What constitutes the elements of fit can, and sometimes does, vary according to perspective and time. Some elements sound great individually, but when examined critically in toto, there can be conflict. Consider two values that state higher education systems often tout: (1) getting postsecondary education opportunities as close to the state's constituents as possible and (2) creating and sustaining all of its HEIs at or above a given minimal threshold of quality. At some point, more of one could mean less of the other. What constitutes a good fit depends a lot on the shape of the pieces that are being compared. Within limits, leaders can define and redefine the criteria of fit as circumstances and priorities evolve; they are not cast in stone.

### Partnering Framework—"Cultural Fit"

Evaluating the cultural fit of HEI merger partners is as important as assessing strategic fit. Culture is often defined as "social glue." It serves to bind individuals and creates organizational cohesiveness. Organizational culture, like societal culture more generally, helps maintain order and regularity in the lives of its members, and only assumes salience in their minds when it is threatened or disturbed (Cartwright and Cooper 1993). These important attributes of HEIs are more difficult to identify, let alone compare and evaluate, than current degrees, enrollments, majors, financial health, or most other components of strategic fit, but they have not always been accorded the same level of attention, for a number of reasons.

First, cultural norms are hard to assess in one HEI, let alone in two HEIs. Unlike strategic fit, where the elements are relatively formal, visible, and measurable, cultural fit is composed of more ephemeral, subjectively determined features. Culture concerns symbols, values, ideologies, and assumptions that operate, often unconsciously, to guide and fashion individual and business behavior (see also chap. 17).

Second, HEIs share a degree of common underlying culture, including a common parlance, mission, and organizational operation unlike many mergers in the for-profit world where unrelated and very different firms may

merge. But these cultural similarities may create a false optimism, because HEI cultures differ markedly among institutions.

Third, culture is often presumed to be as malleable as the more formal elements of organizations are. But cultural change is not as easily nor rapidly achieved as are other elements of the institution (see also chap. 17).

We argue here that these attributes of organizational culture actually *increase* their relevance when considering HEI partners. The fact that culture is hard to measure does not diminish its critical importance before or after the merger of HEIs. The fact that HEIs share a common higher education culture does not eliminate the reality that each HEI is deeply immersed in its own cultural identity, often years in the making, and often defined as distinct from other HEIs.

"Cultural fit" is not a simple yes/no question, but rather more opportunity for an array of questions about the cultural dimensions of the partnering HEIs. What cultural elements of each HEI need to be preserved and reinforced? Would a merger enable the integration of two cultures, creating the "best of both worlds," or will the dominant partner subsume the other, creating the condition of a cultural "winner" and "loser"? If so, what cultural attributes of the less dominant partner need to be preserved and at what cost?

Finally, the words "culture" and "change" should be uttered together with great caution. As scholars of organizational culture have argued, "cultures, particularly strong cultures, are *not* meant to change" (Cartwright and Cooper 1993; italics added). Often, when "changing the culture" is part of a plan, the existing culture is found to be very entrenched.

### Rethinking Fit in Cross-Border Partnerships

Sometimes, large geographic differences are a plus, even a prerequisite, for merger partners. Finding and being the right cross-border HEI merger partner are tactics that are increasingly used for addressing trends associated with globalizing higher education markets (Ennew and Fujia 2009). These trends include a global academic labor market, the needs of the knowledge economies, and the desire to learn from the world's best. On the supply side, declining mobility costs, developments in information technology (IT), trade liberalization, and increased private sector investment also have an impact. These pressures have fostered increased opportunities and incentives for international HEI engagement (Knight 2004).

The dramatic expansion in the number of students studying internationally and in the number of international institutional partnerships is evidence of this growth. The diversity of forms of international activity—ranging from traditional student recruitment and mobility to transnational curriculum and delivery partnerships, collaborative research networks, and international campuses—is testament to the expansion in scope (Ennew and Fujia 2009).

Partnering in an international context usually requires that HEIs work closely with national governments and local higher education agencies. Partnership evaluation can include an assessment of national higher education, trade, governance, and taxation issues and policies. Differences in circumstances across regions and provinces within a given country also may play a role in the assessment. Relevant circumstances may therefore vary enormously.

The merger ("partnership") between the University of Nottingham in the United Kingdom and Wanli Education Group (WEG) in China provides a rich array of these cross-border special features. In the post-Mao period, the policy environment for higher education in China changed dramatically, culminating in 2003 with the decision to allow foreign universities to formally establish partnerships with Chinese institutions (Ennew and Fujia 2009). The University of Nottingham Ningbo, China (UNNC), was the first merger transaction under the new policy.

Ennew and Fujia (2009) stress the kinds of *partner* circumstances and preconditions that seem to have improved the odds of UNNC merger success. First, China was not a "foreign country" to Nottingham leaders. Since the late 1990s, Nottingham had been actively involved with the higher education sector in China, initially focusing on traditional forms of internationalization, such as student recruitment to UK degree programs; in fact, Nottingham is one of the largest recruiters of Chinese students in the United Kingdom. Second, in 2001, Nottingham appointed as its chancellor Professor Yang Fujia, former president of Fudan University and coauthor of the cited report, in effect embedding Chinese higher education expertise at the highest levels of Nottingham. Third, Nottingham created a formal list of internationally relevant educational objectives that were to guide merger-related work in China. Fourth, Nottingham had gained valuable prior experience with international mergers when opening a campus in Malaysia.

The net effect of changing Chinese higher education policies and Not-

tingham's growing profile in China was that Nottingham received numerous invitations to engage in campus developments in China. Following a series of discussions and visits to a variety of locations in eastern China, Nottingham agreed to enter into the partnership with WEG to develop a campus in Ningbo, Zhejiang Province. Among its various educational activities, WEG operated and managed Zhejiang Wanli University (ZWU), located in the Ningbo Higher Educational Zone. The transaction described could then be viewed as a merger between Nottingham and ZWU, but it seems more accurate to describe it as a joint venture between Nottingham and WEG. Discussions started and largely concluded during 2003, and Nottingham and WEG signed the agreement to establish a campus in October of that year. UNNC awarded its first undergraduate degrees in 2008.

Perhaps the two most fundamental features that distinguish this and other cross-border mergers from their purely domestic counterparts are: (1) the need for structural reconciliation rather than integration and (2) assignment of major long-term responsibilities between partners rather than dominance of either partner. *Reconciliation* has enabled UNNC to operate both as a Chinese university within its local context, governed by Chinese legal and policy environments, as well as within the context of a UK campus, still awarding degrees according to the requirements of UK legislation. UNNC also had to find ways to reconcile the basic system differences of twelve years of schooling plus a four-year university degree in China, with thirteen years of schooling plus a three-year university degree in the United Kingdom.

The University of Nottingham and WEG worked out an agreement—a division of responsibilities—wherein each partner continually engages with UNNC based on its own strengths. Nottingham retains responsibility for all academic matters to ensure equivalence in relation to curriculum, pedagogy, quality, and standards. WEG, for its part, draws on its expertise in the education sector in China to provide the appropriate logistical and financial support for the campus. While the above example represents more of a joint-venture partnership than a traditional merger, to the extent that UNNC is broadly representative of many cross-border mergers, it would seem that the transaction represents a salutatory growth path for *both* partners.

### Breaking Up—Lack of Fit or Lack of Attention to Creating Fit?

As partners go, so go mergers; both are processes or relationships that develop and evolve over time. Early stages include informal assessments

of fit. Subsequently, when two HEIs are considering merger, each should learn more and more about its potential fit with the other. Simultaneously, reflection is needed as to "what it would take" to create a lasting fit. Throughout the process, both HEIs continuously make decisions regarding whether to continue the journey or discontinue it owing to a lack of fit.

"Lack of fit" can mean many things. After extensive negotiations and a formal memorandum of understanding between struggling Virginia Intermont College and Webber International University, Virginia Intermont announced the breakup, stating that the two schools "did not have a viable model" for merging (Anderson 2014). In fact, lack of fit can be a constellation of strategic and cultural factors, such as occurred in the proposed merger of Point University and Montreat College (Rivard 2014).

These breakup examples raise a difficult question: Is the breakup a result of a lack of fit, or lack of attention to creating fit? Did increasing knowledge about the other HEI partner lead to a conclusion about lack of fit, or was the breakup due to a lack of attention to creating fit by one or both HEIs? With the limited information we currently possess concerning these mergers, we were unable to adjudicate the examples above.

### Final Thoughts

Successful merger partners among HEIs find each other in so many different ways, often being "paired" by superordinate bodies, or by considering and rejecting, or being rejected by, other HEIs as mutual discovery proceeds. It is almost axiomatic that many early, informal HEI partnership considerations reveal reasons why the contemplated partnership is not a fit and should not proceed, a judgment that either HEI may not be able to make at earlier stages in the process.

At some point, however, the relationship may develop to where mutual data gathering by the HEIs suggests sufficient net benefits from merger, and a decision to proceed is made. These mutual net benefits are usually framed in terms of positive strategic and cultural fit between the two HEIs. But even assumptions of good fit do not guarantee success.

Finally, the long odds of success in partnering and merger are influenced greatly by the behaviors of the leaders of the HEIs involved, more so perhaps, than by the circumstances of each HEI that define fit. In chapter 10 we explore how HEI leaders should undertake the negotiation of a possible merger.

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# 10
# Negotiating the Merger

An institution's governing board, along with the chief executive, has not only the primary responsibility for a formal decision regarding an acquisition or merger but also a major impact on the odds of success or failure of the undertaking. Our interviews with merger leaders suggested that while boards may initiate the exploration of the tactic, a board-empowered HEI chief executive is most often the pivotal leadership person. A strong commitment from both the chief executive and board is essential to the success of a merger (see chap. 7). Overall, governing boards and senior leadership, in consultation with members of their teams and essential stakeholders, play a number of critical roles (see box 10.1).

### Negotiating the Merger Agreement

Once a potential merger partner is selected (see chap. 9), the process of negotiating a merger agreement begins. Much that has been written about the art and science of negotiation is applicable to negotiating mergers of HEIs. The nature of the agreement and the extent of the process will be dictated, in part, by the type of HEI merger being considered (see chap. 5). In mergers of sister HEIs within a single (public or private) system, where one governing board oversees all institutions, there may be limited need and opportunity for institution-to-institution negotiation other than around process, resources, staff, and other operational and transactional specifics.

When the merger is to occur between two or more independent institutions with their own governing bodies, however, the management of the negotiation and the selection of the negotiation strategy will be critical. Ne-

**Box 10.1 The Roles of Governing Boards and Chief Executives in the Merger Process**

1. Exploring and considering the merger as a strategic tactic
2. Identifying and choosing merger partners
3. Negotiating the merger
4. Managing communication
5. Presenting a compelling vision
6. Ensuring review of the mission and values
7. Selecting and empowering leadership
8. Allocating resources
9. Managing opposition

gotiations are further complicated if the merger involves more than two entities at the same time. A number of factors affect negotiation strategy (see box 10.2). Additionally, before beginning negotiations, boards must decide whether to focus on just one merger option or explore several opportunities simultaneously. Time or financial pressures may force simultaneous parallel explorations even if this may not be the preferred approach.

During the negotiation process, parties should aim to deal with each other at "arm's length," with all potential partners acting independently and with their own self-interest in mind. All HEIs should strive to ensure the best agreement that can be achieved in support of their mission and community,

**Box 10.2 Factors Affecting Merger Negotiation Strategy**

- Clear goals and metrics for the merger
- Relative attractiveness as potential partners
- The power gradient between the institutions
- The degree of institutional stability
- The quality and depth of preexisting relationships
- Corporate and legal structure differences and complexities
- The size and scope of the operations to be merged
- The skill and experience of those doing the negotiating

### Box 10.3 Operational Questions to Consider during Merger Negotiations

- Will both campuses remain in operation?
- What is the degree of institutional loyalty by students of the acquired campus?
- What is the responsibility for preserving institutional legacy, particularly if the campus is to be closed?
- How will the merger affect the use of restricted endowments?
- If a campus closes or merges, what needs to be done to meet the requirements of the accrediting agency(s)?
- What are the obligations to creditors?
- Who decides, and on what basis, which faculty and staff members will be retained or let go?
- What are the faculty and staff severance responsibilities?
- Who decides which academic programs continue and which will be discontinued?
- What will happen to the boards of the merging institutions?
- Who will be the chief executive of the new entity, and how will that individual be selected?
- What degree will be awarded going forward, and will alumni be able to change their diplomas to the new entity?
- What name should the merged entity carry?

*Source:* Adapted from Susan Resneck Pierce, "Why Mergers Are (Quietly) Increasing among Colleges and Universities: A Review of the Pros and Cons," in *Consolidating Colleges and Merging Universities: New Strategies for Higher Education Leaders*, ed. James Martin and James E. Samels (Baltimore: Johns Hopkins University Press, 2017), 185–96

while keeping in mind the primary goals of the merger (O'Neill and Barnett 1980a; Pierce 2017). Students are often the least engaged in the merger decision, yet their best interests must always be kept in the forefront, more so for those students from the "acquired" institution. There is a wide variety of other operational issues that boards will need to address early on in merger discussions, some of which may need to be included in the negotiations (Pierce 2017) (see box 10.3).

It is best to identify a priori the critical elements of a successful agreement, including possible deal-breakers, and to present these early in the negotiations. Even so, negotiations may be protracted and complicated

(Woodhouse 2015); inter-institutional agreements are rarely reached without struggle and compromise on both sides (O'Neill and Barnett 1980a).

The congruence of the missions of the participant institutions must be considered before negotiations are opened (see also the discussion of "strategic fit" and "cultural fit" in chap. 9). This is important even with the absorption of a small entity, as the presence within an acquirer institution of a single, disparate mission will distract from the unity of purpose of the parent entity. For example, in faith-based institutions, fairly nuanced doctrinal differences can become major impediments to assimilation.

Just as haggling over the price of a piece of antique furniture may allow one to achieve a bargain but is not conducive to a long-term relationship with the antique dealer, a difficult negotiation may allow progress but may not set the stage for a long-term collaborative relationship. It is important, therefore, for the board and the chief executive to be deliberate in their negotiating style and approach, keeping the *long-term success* of the merger in mind. This consideration may also influence the choice of negotiating team.

The negotiation style will set the tone of the relationship for several years after the successful consummation of a merger. A mutual-gains approach to negotiations is essential to success in an academic merger. Even in what is clearly a "takeover," negotiations that are preemptory, authoritarian, or leave one or both parties with buyer's remorse, seller's remorse, or other sense of animus have the potential to delay assimilation or even doom the merger. This approach is made more difficult by the simultaneous need to avoid "falling in love with the deal." The negotiators and the principals must be able to walk away from the negotiating table for a cooling period—or permanently if necessary. Negotiation preparations must always consider this possibility.

The specific negotiating strategy depends on a number of factors, including the individual institutional goals for the merger, the relative attractiveness of the potential partners, the degree of institutional stability, the power gradient between the institutions, the quality and depth of preexisting relationships, corporate and legal structure complexities, and the size and scope of the operations to be merged (see box 10.2). Negotiating strategy also depends, to a great degree, on the skill and experience of those doing the negotiating. But administrative staffs, particularly those of smaller colleges, frequently enter negotiations with neither sharply defined goals nor a strategy for negotiation, which is often a fatal mistake (O'Neill and Barnett 1980a).

### Clear Goals and Metrics

Merger success starts with having clear goals. Is the goal financial survival, such that the merger partner simply pays off the institution's creditors? Or is the vision more robust, with the intent to expand quality and breadth of the education experience, faculty development opportunities, reach, influence, and so on? Clearly, these goals will reflect much more than just the financial situation of the institution. In order for governing boards and their chief executives to articulate the merger option and present a compelling vision, it is critical that they first understand the priority goals of the merger.

Success or failure of mergers in higher education may take many forms, depending on the goals and aspirations of an institution. Whatever the goals, success or failure must be seen as not just one point in a continuum, but as an array of outcomes across a broad spectrum of possible results. At one end of that spectrum lies failure to even strategically consider the option and, next to that, failure to reach a negotiated agreement, causing merger plans to be abandoned. Even more detrimental perhaps is the possibility that a merger may ultimately require unwinding, a costly and demoralizing outcome. At the salutatory end of the spectrum is complete and long-term assimilation.

Between these extremes lie outcomes constituting what can be defined as *partial* successes. These are often characterized by a failure of the merger to fully meet the expectations of a desired outcome. In these instances, unwinding is not contemplated, but attainments are suboptimal. Or, worse, little is accomplished as a result of the arduous task of merging. The pedestrian "success" of completing the steps of the merger is achieved, but the desired outcomes including a sense of institutional renaissance are not.

Nonetheless, one should recognize that even failure during the negotiating period might still result in benefit. For example, the careful inward examination and assessment required of the institutions involved may be

> In order for governing boards and their chief executives to articulate the merger option and present a compelling vision, they must first understand the critical goals of the merger.

sufficient to drive institutional renewal and recommitment to its mission(s). In view of the range of possible outcomes, every effort must be made by the merger leaders to increase the odds of *real* success by first having clear goals.

Furthermore, those goals must be measurable and codified in advance. Mere avoidance of fiscal calamity and the avoidance of merger unwinding are, at best, threshold goals. Real success should be measured against the institution's strategic goals, its vision, and its mission. Hence critical goals (or primary end points) for the merger should be determined in advance.

### A Candid Sense of Institutional Attractiveness

Governing boards and leaders of potential merger partners should critically assess their own attractiveness as a merger partner (Millett 1976; O'Neill and Barnett 1980a). "Institutional attractiveness" derives, in part, from what features the HEI brings to the table. While financial resources are an important asset, there are many others, such as brand or name recognition, unique academic programs or units in demand and in good standing, and geographic location or national reach. It behooves each of the merging partners to ensure that these positive attributes are honed, highlighted, and documented.

Merger partners must also examine their own liabilities, warts and all. Assuming a Pollyannaish attitude toward institutional risk and liability is simply not the approach to be taken in merger discussions (or in any other setting). Any HEI considering a merger will be concerned with the effect the merger will have on its own financial health and academic quality. And because it is quite likely that the merger counterpart will uncover any potential weaknesses and liabilities, it is preferable that the institution be prepared to address these concerns or even highlight them in advance, in order to accelerate the process and foster trust. It is also obviously advantageous to correct or minimize any liabilities in advance when feasible.

### The Power Gradient between Institutions

The "power gradient" between potential merger partners is one of the more critical factors in determining the degree of control over the negotiation process and outcome (see also fig. 8.1). Consider three alternative power gradient perspectives. First is a potential merger of relative equals, in which little or no power gradient exists between the HEIs. Second is the situation where a significant power gradient exists between the institutions, and the

The "power gradient" between potential merger partners is a critical factor in determining the degree of control over the negotiation process.

viewpoint is that of the potential acquirer. Third is the instance where a significant power gradient exists between the institutions, but in this case the perspective is that of the potentially "to be acquired" institution.

A power gradient between HEIs may derive from differences in size (e.g., of the budget or of the student body), fiscal health, political clout, power perceived or real, stature, breadth of offerings, or a multitude of less tangible factors that affect the "attractiveness" of an institution as merger partner. Each of these factors will provide context to any discussion of a merger. It falls to the board and the chief executive to understand this context, to alter it where it is alterable, and to prepare to address it when it is not. Moreover, a power gradient tilted away from one participant should not be perceived as always detrimental; a small, single-discipline institution such as a law school or a nursing school may be highly desired by an institution aiming to advance programmatic breadth.

There are a number of considerations during negotiation, depending on whether the viewpoint is of the relatively weaker (to-be-acquired) institution or of the relatively stronger (acquiring) HEI. For example, when two institutions of unequal bargaining power enter merger negotiations, the weaker HEI would do well to set aside a collegial approach to inter-institutional cooperation and focus instead on negotiating a business arrangement that maximizes the benefit to its mission and students, while recognizing its own needs, vulnerabilities, and liabilities. The weaker institution should aim to present a package of both assets and liabilities so that it can, at least in part, fulfill its obligations to students and faculty.

For an HEI that is potentially to be acquired, good preparation can lessen the perception of a "fire sale" and improve the odds of long-term success. When "willing-to-be-acquired" status is congruent with the institution's long-term strategy, merger should be considered proactively and not as a last-ditch effort. Alternatively, the strategy of the stronger HEI must be to maximize the acquisition of assets and resources that increases its ability

to serve the needs of its stakeholders, while minimizing the acquisition of liabilities.

### Institutional Stability

While institutional stability may be dictated by circumstances beyond the control of the HEI board or chief executive, every effort at attaining institutional stability prior to initiating merger negotiations should be undertaken. For a merger of equals or for a potential acquirer, stability is a prerequisite; mergers should preferably not be contemplated if the acquiring institution is in the midst of crisis, such as a labor dispute or an accreditation failure. It is a mistake to believe that a merger or acquisition can erase or even ameliorate the institutional instability that attends issues such as these.

When institutional instability already exists in the form of fiscal exigency, careful due diligence may improve the positioning of the proposed "to-be-acquired" institution. Severe fiscal exigency is almost always subject to public awareness, and in advanced instances, a bond rating downgrade or worse may contribute to the institution's instability. For public institutions, enrollment figures and fiscal results may be made public in media reports. Changes in organizational structure or leadership may also signal instability.

### Realism concerning Future Vision

Our leadership interviews suggest that the most common error in negotiating and implementing a merger is underestimating the difficulties that will be encountered. Likewise, unrealistic expectations may apply to the possible downsides of a merger, which most often involve exaggerated fears concerning the loss of institutional identity or the loss of loyalty from alumni or other constituents. When negotiations begin, it is important to understand and perhaps share these visions of the future, and to avoid delving immediately into fiscal or structural matters.

The normal and desirable optimism of most successful individuals in leadership positions contributes to the phenomenon of unrealistic expectations. More generally, all individuals bring to the envisioning process their own presuppositions and mind-set. Together with variations in personal viewpoints, these make the development of a single vision of the future difficult.

The consequences of unwarranted optimism may begin at the negotiating table. Coupled with a failure to develop alternatives to a successful nego-

tiation, unwarranted optimism may significantly handicap a negotiating team. If the merger is consummated, unrealistic and unmet expectations may result in disappointment and second-guessing. More important, in the short term, negotiators and principals alike may "fall in love with the deal." They may come, after long and arduous discussions and negotiations, to want the transaction at *any cost*, a negotiating position that should be avoided (see also chap. 8).

### The Quality and Depth of Preexisting Relationships

The quality and depth of preexisting relationships between governing board members or chief executives of the different institutions, as well as any preexisting institutional collaborations or alliances, will facilitate merger negotiations. Not only will institutions know more about each other's capabilities and liabilities, but also a basic level of trust may already be present. Considering that most merger partnering occurs in an ad hoc, unplanned manner, these preexisting relationships should be helpful to the success of the merger.

### Corporate, Legal, and Regulatory Differences and Complexities

Corporate, legal, and regulatory differences and complexities will add a layer of difficulty to the negotiations. Such difficulty may pertain to the ownership and tax status of the HEIs, such as mergers of public and private entities, or private not-for-profit and for-profit HEIs. Differences in regional or discipline-specific accreditors can be problematic, as are differences between the US Department of Education's and the regional accreditor's record-keeping requirements during institutional transitions. Additional complications may be introduced by the presence of large gifts or endowments that come with important and binding restrictions that may run counter to the intent of the merger or the future merged HEI (see also chap. 13).

### Differences in Size and Scope

The greater the size and scope of the operations to be merged, the greater the complexity of negotiations. Importantly, the scope of ancillary services and assets, such as hospitals, health clinics, research laboratories, animal care and housing facilities, and athletic programs will complicate the

negotiations. Consequently, it is indispensable that institutions contemplating merging not only seek experienced and expert legal, regulatory, and other subject matter advice, but also include these experts at the negotiating table.

### The Skill and Experience of Those Doing the Negotiating

Most of the negotiation in mergers of HEIs is carried out by members of the governing body, perhaps with the inclusion of the institution's chief executive. But while some governing board members may have experience negotiating mergers in others business sectors, few will have the skills necessary to negotiate a merger of HEIs. As discussed above, in general, a mutual-gains approach to negotiations is best to ensure the success not only of the merger process, but also of the long-term relationship of the merged HEI communities. Formal training or retraining in mutual gains negotiations is a worthwhile investment for any institution contemplating a merger.

The oft-used strategy of opening with a statement of an extreme position in the hope of setting a new "middle point" usually does not foster a productive long-term relationship. The slow and painful inching toward the middle only creates animus. Our interviewees stressed that civility in both negotiations and implementation phases was essential to their success. It may be fair to conclude that a "hostile takeover" has little likelihood of success in the higher education arena. Whether a party is a potential acquirer in a situation where a large power gradient exists or a participant in a "merger of equals," it is essential to remember that the long-term goal is true assimilation.

There is little to be gained by achieving only fiscal or other control over an isolated Balkanized silo of what was formerly a freestanding institution with its own identity. To hasten and provide full assimilation, an open and honest disclosure of institutional goals and values is invaluable. In addition, up-front agreement to a modestly formal method of "exchange" of goals and values within each party's preferred "package" can be helpful.

Finally, negotiation of an agreement in the media is almost certain to be unsuccessful. From the beginning, therefore, agreement must be reached between negotiating teams concerning media presentations and relationships, and commitments must be made to avoid the unilateral positioning of public constituents and opinion.

### Managing the Confidentiality of Negotiations

While the ethos of most institutions and boards and the personal ethics of most institutional leaders is to subscribe to a maximum of transparency, there is widespread recognition that certain exploratory discussions must be held privately (O'Neill and Barnett 1980b). In public institutions, this need is exemplified often by exceptions to state Sunshine Laws, which grant allowances for employment matters, acquisition of real property, union negotiations, and such. These issues, which vary from state to state, are usually deemed to warrant "executive session" protection even in public institutions. Private institutions are burdened somewhat less with legal requirements for transparency, but they are no less responsible for creating a milieu of trust and confidence at their institutions. In the early stages of a merger discussion, the balance between the need for private exploration and the institution's commitment to transparency is strained.

In most institutions of higher education, the perception that "secret" talks are occurring is greeted with intense anxiety. Such anxiety destabilizes an institution and can lessen the likelihood of merger success, particularly during the negotiating period. Early merger talks are specifically vulnerable when one or both participants is essential to the identity of the community at large. A full-bore onslaught from students, faculty, and local media cannot be withstood without significant loss of momentum. Thus, if leaders are queried, the best approach is candor. "We are exploring all options" may assuage some anxiety. An honest "I don't know" goes a long way toward the establishment of trust. Moreover, a clear "I cannot talk about that now" creates more trust than does silence or avoidance. Finally, our research suggests that prolonged discussions or prolonged negotiations rarely produce the desired outcome of a stable mutually positive merger. See also chapters 8 and 11 for more on managing communications during merger negotiations and beyond.

### Final Thoughts

All mergers require negotiation. For some institutional pairings, virtually everything will be up for discussion. For other HEIs, whose mergers are mandated by a system or governmental authorities with little opportunity to negotiate the decision, myriad integration choices still need to be

decided upon. Effective negotiations start with a comprehensive understanding of the goals of the merger, the institution's relative attractiveness as a potential partner, the degree of mutual institutional stability, the quality and depth of preexisting relationships, corporate and legal structure differences and complexities, and the size and scope of the operations to be merged. Finally, much rides on the skill and experience of those doing the negotiating, and careful selection and training of the leaders involved are "musts."

Institutional leaders can do much to increase the likelihood of successful negotiations and full integration of a merged entity for the long term. They must make clear that full assimilation of cultures is the only real success, and that pursuit of the mission is the reason for the existence of a merged institution. Preparations must include consideration regarding the need for both transparency and privacy of preliminary discussions. Realistic expectations must characterize the vision of a future state. Formal or informal review of negotiating styles may improve the odds of a long-term relation and full assimilation. Clear delegation of decision rights is essential. Finally, boards and merger leaders must decide what external aid and expertise they need in both the negotiation and the operationalization of the merger—individuals such as legal, regulatory, facilities, communications, financial, valuation, philanthropic, and subject-matter experts. And they then also need to decide who, and which experts, will be at the negotiating table.

In chapter 11 and in chapter 12, we examine the roles of governing boards and merger leaders as well as their responsibilities in managing communication, presenting a compelling vision, ensuring review of the mission, selecting and empowering leadership, allocating resources, and managing opposition.

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# 11
# Communicating in a Merger

As mentioned in chapter 10, governing boards and senior campus leadership, in consultation with members of their teams and essential stakeholders, play a number of critical roles (see box 10.1). In this chapter, we review the role of the governing board and merger leaders in managing communications, presenting a strong vision, and reviewing the mission. We also examine some of the communications challenges and opportunities during the merger process.

### Transitioning from Closed to Open Communication

Most governing boards opt to consider and complete merger negotiations in a confidential manner, with a limited number of individuals engaged in the process. But at some point that closed process must be transformed into an open discussion of the merger, serving to enhance transparency, trust, and engagement going forward.

The development of a clear transition point from the privacy required for vetting and negotiating (see chap. 8) to the full transparency necessary for widespread engagement must be determined jointly by the parties. The parties should "go public" only when consummation of the merger is virtually assured, and both parties have considered the impact of a failure of negotiations if that were to occur. To go public as a joint effort, stressing the value of a future together, can be an important builder of consensus. The media relations groups of both parties will have to be coordinated, and a joint press release would be helpful. Conflicting messages coming from the two institutions should, of course, be avoided.

Following this inflection point in communication, it should be clear that

*all* leadership actions, intentional or not, constitute an important form of internal and often external communication. In fact, it is difficult to overestimate the symbolism of every leadership action during this crucial period of time, as all stakeholders look for the smallest sign of reassurance—or subterfuge. This perspective is made more complex by the need for leadership to simultaneously position the institution advantageously and to emphasize stability vis-à-vis the proposed merger. Extreme sensitivity by leadership is required toward every stakeholder group. Leadership behavior and utterances intended to reassure one group might inadvertently offend another, damaging trust for many years after a merger.

There was consensus among our interviewees that the single most important factor in ensuring the success of mergers was *speed* once the decision to merge had been made. HEI communities are, rightly, abhorrent of precipitous action. But the leaders we interviewed emphasized that prolonged discussions rarely produce the desired outcome. On average, the time line given by the governing board to the campus and its leaders for merger completion, once a decision to proceed is made, should be reasonable and sufficient but not excessively long; it generally averages no more than eighteen months. If negotiations are delegated, a clear time line should be followed.

Our interviewees also expressed a contrary minority view. In two instances, preliminary management contracts or other "testing of the water" strategies were engaged for up to two years prior to merging. These leaders asserted that much was accomplished during that period to assuage anxiety and gain support for a formal merger.

Successful change and transformation are best served when there is an appropriate level and recognition of urgency among all stakeholders (see also chap. 7). Creating this sense of urgency among the HEI community as part of leaders' messaging, without producing widespread panic, requires a great degree of transparency and information around the challenges and choppy waters—as well as great opportunities—lying ahead.

When a merger of relative equals is contemplated, even greater leadership skill in messaging is required. The tension between assimilation necessary for long-term success—and the preservation of mission, loyalties, and culture of the acquired institution—requires active management for a prolonged period. This tension can only be ameliorated by the personal attention of the board, the HEI's chief executive, and top institutional leaders. For example, individual meetings of board members and chief executive

with donors or prominent faculty members, as well as public forums and town hall meetings, may be useful.

Managing the media during a merger is one of the more difficult areas for any HEI leader. News sources and media outlets may become interested in, or even obsessed with, the proposed merger. It is not often that so much is at stake. Rapid progress during negotiation helps to shorten the period of flux and uncertainty. Skillful handling of the media should not only seek to avoid criticism, but it should also be used to inform and build excitement around the proposal.

Social media, twenty-four-hour news cycles, and instant global access to news have made confidentiality and accuracy in communications two of the most difficult issues of the modern era (Numerof & Associates 2018). In these circumstances, although a merger may seem desirable to the board, the chief executive, and other institutional leaders, other individuals who are more facile with electronic media may readily introduce a different, contrarian message. The teams managing the merger must be prepared for the onslaught of social media that will follow the announcement of a merger.

### Presenting a Strong Vision

It is largely the task of the governing board and the HEI chief executive to frame the situation of the institution, specifically and within the broader higher education environment, to provide a rationale for the merger and to create a positive vision of a better future as a result (Lloyd 2013). Mergers can reinvigorate and reposition an institution toward a new level of excellence. Building size and breadth by the amalgamation of smaller institutions, or joining with another HEI in a vertical or horizontal merger, may accomplish much toward the goals of stature and stability. The vision narrative must indicate that mergers are a recognized approach to building positive strength. Still, the rationale for an HEI merger is likely to be controversial, and it is the task of the board and chief executive to create a positive future vision founded upon plausible optimism.

The rationale for an HEI merger is likely to be controversial, and it is the task of the board and chief executive to create a positive future vision founded upon *plausible* optimism.

> The vision for a merger of HEIs should be compelling, consistent, inclusive, strategic, stabilizing, and realistic.

A formal vision document may be in order. If so, it must be crafted with institutional stature in mind. Students, parents, alumni, and communities want to know that the new institution will continue to serve their needs. Alumni and others loyal to the institution may have particular difficulty during a merger as they see the loss of the institution they value, which can be especially severe if the institution will be changing its name. Faculty and staff will want to be assured that there will be institutional stability and preservation of scholarly and creative endeavors. The envisioning can be made more complex if the two institutions have widely disparate institutional cultures and missions. Our interviews with merger leaders reinforced this finding. In each instance of success, a positive value-driven vision had been part of the strategy. Unfortunately, it is difficult to substantiate the converse: that without a value-driven strategy, failure is more likely. This notion is implied, but not demonstrated by our investigation.

In constructing the future vision of the merger, leaders need to ensure that the vision presented to stakeholders is *compelling*, *consistent*, *inclusive*, *strategic*, *stabilizing*, and *realistic*, as discussed further below.

*Compelling.* Although an objective analysis or "balance sheet" of pros and cons of the merger is necessary, even more important is a compelling argument for the merger itself. The pros have to outweigh the cons. For example, if a resulting merger will yield a much larger institution, why and how is this good? Mere relief of institutional financial stress or avoidance of some downside is insufficient as a compelling vision. A positive vision of a better future that engages all must be put forward.

The vision should take into account the enduring life of the institution and the impact it has on its stakeholders. A vision of a better future state must make the case for: (1) greater stability, (2) more efficiency in the pursuit of the mission, (3) greater opportunity for excellence, and (4) greater value for resources expended. The institution's mission and values must drive the discussions.

A vision of excellence is not only critical, but compelling. Paraphrasing Aristotle, Durant reminds us that "We are what we repeatedly do. Excellence, then, is not an act, but a habit" (Durant 1967). The effort to make the pursuit of excellence a core value of the merged institution and of all of its portions must begin when the merger is first contemplated. In whatever direction excellence lies for a specific institution, public recommitment to the mission and a restatement of core values are never out of place. Clear expressions of institutional pride reinforce a commitment to excellence.

*Consistent*. While communications with the many varied stakeholders of an HEI must be tailored to the audience, leaders should take great care that their communication be scrupulously consistent. In a time of great uncertainty, the campus community will be looking for any "cracks" in leadership commitment, for inconsistencies that signal possibly more nefarious plans, and for discrepancies that might signal a lack of trustworthiness.

The key to minimizing these risks will be to ensure that references to the vision are as consistent as possible. This high standard of consistency should be adopted not only by the chief executive and their immediate team, but also by all leaders and managers in the merging HEIs. While the vision may not be precisely the same from the perspective of the two (or more) institutional partners engaged in the merger, there must be sufficient congruence to foster credibility in the process.

*Inclusive*. The vision presented must also ensure that most stakeholders can see themselves in the new institution. Importantly, the future vision statement should address the interests and concerns of affected constituents, including but not limited to faculty, students, alumni, trustees, and civic leaders. In essence, it should strive to answer the inevitable question, "What's in it for me?"

To positively advance the option of such a large transformation, it may not be enough to appeal to a simple majority of constituents. Even having a small group of stakeholders feel disadvantaged and unable to visualize themselves in the new order can introduce a serious obstacle to the merger. First, in today's world of social media, even a small group of disenfranchised individuals can organize and present a strong and vocal opposition. Second, few academics, as members of an egalitarian self-governing consensus-driven organized community, are willing to support an option that openly disad-

vantages any particular group within the institution. Thus the vision advanced must be inclusive of the vast majority, if not all, of the members of the HEI community.

*Strategic.* Most of our interviewees felt that that it was important that mergers be seen within the context of a larger strategy. Mergers merely for the sake of size may not be worth the effort. It remains for the board and chief executive to put forward this argument to the merging HEI's community and to convincingly forge the conceptual link between size, breadth, excellence, and strategy.

*Stabilizing.* Human beings have an inherent need for environmental stability (Maslow 1943). This is equally true for those individuals that comprise an HEI. Moreover, the economy of an HEI's local community may be heavily dependent on the institution's fortunes. Consequently, many in the local community will be rightfully concerned with the HEI's stability and financial outlook.

Stability of the HEI is not only important to current stakeholders, but it is also highly prized by alumni, who view the value of their degree as being tied to the fate and stature of their alma mater. Consequently, perhaps thousands of alumni will be invested in the fortunes of the HEI from which their diplomas were earned. One merger leader reported that dozens of alumni requested that their diplomas be re-signed by the now combined institution.

If fiscal exigency is the principal driver of a "willing-to-be-acquired" stance, then it will be the institution's mission, legacy, and loyalties that provide the critically needed institutional stability. This requires the boards and executives of the merging partners to make every effort to reassure that institution's community that their mission and traditions will be guarded and preserved. Any vision of a better future must refer to those value systems; a focus on fiscal matters alone will not adequately produce organizational confidence.

*Realistic.* A lack of realism in the goals proposed ensures unmet expectations. Too often, unrealistic expectations can be refuted early at the negotiating table, and certainly in long-range merger execution. Moreover, the vision of the future may vary among constituents. The state legislature or

governor may envision a great impact on the need for state appropriations. A private institution may envision a major impact on stature or enrollment. A small institution with financial difficulties may envision its fiscal problems disappearing with little or no loss of autonomy. An acquirer of a single-discipline institution—for example, law or nursing—may have unrealistic expectations of the positive impact on research, enrollment, or institutional stature.

In instances where there is minimal or no power gradient—for example, in a merger of equals—both entities may come to envision a future state of breadth or stature that is unrealistic. The leaders we interviewed indicated that a common error entails either underestimating the difficulties to be encountered in the merger of the cultures of the institutions or overestimating the possible upsides.

One of the persistent issues facing HEI mergers entails the highly unlikely odds of recouping the full costs of a merger in the first year or two. Such unmet expectations have an impact far beyond the consideration of the board or senior leadership. Continued discussion of unmet expectations, along with buyer's or seller's remorse, may impede or derail full assimilation of the institutions into a single fused entity. Thus an important ingredient that increases the likelihood of the success of a merger, both during negotiations and in the long term, is to be certain that expectations are realistic. The only way to ensure realism is in a group process that tests hypotheses and proposes alternatives. This activity, while essential, promptly conflicts with the risks attendant to premature disclosure during preliminary explorations. The development of a realistic vision of a future state that is both compelling *and* likely is therefore one of the more difficult preparatory exercises.

### Addressing the Mission and Values

A single mission and values statement will constitute the ultimate in institutional assimilation and strengths. As Morley and Eadie (2001) remind us, "Mission is intended to be a clear, concise, summary statement of what distinguishes an organization or institution from other organizations or institutions in that environment." During an HEI merger, a significant review, revision, or de novo drafting of the new merged institution's mission and values statements must be undertaken. Although it is preferable to resolve this issue before a merger, it is not absolutely necessary. A preliminary

mission and values statement can be used for regional accreditor approval of the merger, with more permanent statements determined after the merger.

Likewise, creating a unified values statement will be critical. It signals to external and internal constituencies what the new institution will value and stand for, while guiding decision making. The exercise of generating a unified set of values system should be leveraged as an opportunity to bring the different constituencies of the merging HEIs together in a dialogue concerning what the future institution will value. It is important to resist the temptation of simply merging two or more preexisting lists; a values statement should be a concise declaration of what values the new merged institution *prioritizes*, not simply recognizes, usually no more than five to seven clear and independent attributes.

While formal mission and values statements give helpful guidance, much of what an institution is about is *unwritten*. Institutional culture is a broader and more nebulous concept than mission alone, and it reflects not only the mission but also daily operations. Thus the institution's culture must be seen as the most readable manifestation of its mission and values. Campus culture derives from the formal and informal mission and values of the institution and the reflection of those in the behaviors and utterances of its leaders. But the daily impact of culture becomes most evident at the customer interface, for example, in the classroom or at the student affairs office.

Merely because mission and value statements read similarly does not mean that differences do not exist. Many aspects of an institution's culture are manifestations of the degree to which its mission and values are interpreted and honored in daily actions, such as in the sphere of diversity, the provision of access, or the availability of student counseling. Where incongruences are discovered, cultural distinctions must be discussed openly and honestly, and commitments must be made for the institution to move toward its ultimate goal of unity.

### Maintaining Communications during the Merger

Stakeholders should receive frequent updates on the decisions being made and the progress of the overall merger. To ensure that key stakeholder groups are not overlooked, institutional leaders must specifically identify each of them (see box 11.1) and consider their varying concerns and information needs, perhaps stratifying them based on their level of interest, influence, and engagement.

**Box 11.1 Stratifying Stakeholders According to Their Level of Institutional Involvement**

- **Primary audiences** are those who are closest to the institution and will have the greatest level of concern surrounding changes.
  - Current students, faculty, staff, alumni, and governing boards
- **Secondary audiences** are those who may have a strong affiliation with or interest in the institution but are external to the institution.
  - Local and state government officials, community members, local media, prospective students and their families, and high school counselors, among others
- **Tertiary audiences** should also be considered, but their interaction with the institution is more limited.
  - State and national media, accrediting bodies and educational organizations, agencies and foundations that may provide funding support, and neighboring institutions

Fundamental communications goals will vary by institution but generally include the need to:

- minimize confusion and misunderstanding concerning the merger's purpose, drivers, and vision;
- reduce the uncertainty and anxiety of campus and local communities;
- mitigate any negative impact on enrollment and on the level of support from alumni and the local community;
- leverage the academic strengths and traditions of the merging institutions;
- streamline internal communications; and
- develop a new identity and raise awareness of the university's new name, scope, and impact.

Once the goals of communication have been determined, the following definitive communications tactics should be outlined.

*Communicate early and often.* During a merger, transparent and frequent communication is essential. In the absence of information, speculation and rumors will fill the vacuum and further contribute to concerns and confu-

It is virtually impossible to overcommunicate during a transformation as massive as a merger of HEIs.

sion. Even when there are no major decisions to report, leaders should anticipate questions and concerns, and provide regular updates. They must keep stakeholders aware of the process and disseminate new information as soon as possible to dispel myths quickly and inform future efforts.

During the merger process, when each institution is still operating separately and with different chief executives, internal communications can be a significant challenge owing to different communications systems and practices, the level of angst of each campus, and the divergent communication styles of the institutional leaders. It is virtually impossible to overcommunicate during a transformation as massive as a merger of HEIs.

Communications can take many forms, including individual and small group stakeholder meetings, campus-based town hall meetings, and accepting invitations to speak from other organizations, all supplemented by other forms of communications, such as regular emails, videos, or letters by the chief executive to ensure constituents receive regular updates. Some campuses develop a temporary, neutral website that focuses solely on consolidation information.

*Increase communication among leadership throughout the merger process.* In institutional mergers, leadership change is inevitable. Once the senior-level administrators for the new institution are identified, the chief executive and senior administrators must set a collaborative tone, building relationships and gaining the trust of those with whom they may not have previously worked. The most effective way to build these relationships is through face-to-face interactions.

*Highlight "short-term wins" of the merger.* Mergers can provide opportunities for a new strategic focus, expanded academic programs, increased student opportunities and access (both geographically and academically), enhanced professional opportunities for faculty and staff, and greater impact through a larger regional footprint. These advantages become signs of

success, and it is important to reiterate and demonstrate these outcomes throughout the merger process.

It is important to celebrate these milestones, big or small, along the way. Providing opportunities for the HEI community to reflect on achievements can have a positive influence on morale and contribute to community unification (e.g., "this is what we have accomplished together"). Here is where a deliberate plan to identify short-term wins *in advance* is critical.

*Engage constituents in forward looking actions and identity development.* Faculty and staff of merging HEIs generally understand that the goals of the merger—more and better students, a stronger position for recruiting colleagues, a stronger base for competing for research dollars, and the like—are best served by a strongly branded, distinct, and appreciated institution (Moore 2010). Seeking input from institutional stakeholders in decisions related to the merged institution can secure crucial buy-in. Institutions might use campus-based workshops and focus groups to gain valuable insight that informs the new mission statement and a collective vision for the new institution. Similarly, work groups and surveys might focus on identity elements, such as a new name, mascot, and logo. Establishing these physical identity elements early in the merger process lays the foundation for more extensive identity formation and brand development to follow.

These identity elements are emotionally charged, and leaders should outline the process, expectations, and any parameters in advance to set the stage for success and to avoid a damaging disconnect. If constituents feel that the process is disingenuous or that their input is ignored, institutions are sure to encounter conflict and discord. In addition, the institutions should be prepared for unsolicited input through unofficial surveys by student media or local media outlets, and through feedback on social media.

### Final Thoughts

Those managing a merger, once negotiated, must be able to move with significant speed, from confidential conversations to open engagement. At this point, a strong vision must be put forth that is compelling, consistent, inclusive, strategic, stabilizing, realistic, and speaks to a better institutional and individual future. Agreeing on a common mission, vision, and values statement, considering the institution's expressed and unexpressed elements and considerations, will be critical. Communicating frequently,

early, and often; increasing communication among leadership; highlighting short-term wins of the merger; and engaging constituents in forward looking actions and identity development will help ensure the success of the merger and engagement of the university community in the postmerger period. In chapter 12 we review additional roles of governing bodies and merger leaders—selecting and empowering leadership, allocating resources, and managing opposition.

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# 12
# Leadership, Resources, and Managing Opposition

Overall, the odds of success of an HEI merger increase when the governing boards and senior institutional leadership assume their critical roles (see box 10.1). In this chapter, we review the roles of governing bodies and merger leaders in selecting and empowering leadership, allocating resources, and managing opposition.

## Selecting and Empowering Leadership

One of the fundamental responsibilities of governing boards is selecting the chief executive who will lead and effect the merger. Few decisions will be more consequential, as individuals leading mergers should be adept in number of critical managerial competencies and leadership skills. For example, Chipunza and Gwarinda (2010), in a study of 350 full-time employees of a merged South African HEI, noted that institutional leaders played key roles, including ensuring a shared vision, developing strong teamwork, and creating a supportive environment. But their research also indicated that during the transformation these leaders' failure to implement strategic direction and empower followers led to widespread dissatisfaction with the overall process, even though the transformation itself was declared a success. Similarly, in a longitudinal study of mergers of three large multisite public-sector organizations in Australia, Kavanagh and Ashkanasy (2006) found that it was imperative for merger leaders to be competent in the process of transforming organizations if they were to be able to effectively help individuals within the organization accept the changes brought on by a merger.

But we should also recognize that it is also not so easy to find the right

individuals to lead such a transformational process among the traditional ranks of HEI administrators. To understand this, recall that the selection of most leaders in higher education begins with the faculty. Consequently, most HEI leaders are chosen for their ability to "protect and preserve" the status quo and to embrace an incremental consensus-driven approach to change, two qualities that are less likely to result in the selection of a leader who will also consider a merger as proactive positive strategy or who can effectively lead such a monumental transformation. Consequently, governing boards should be willing to consider candidates to lead the transformation from a broader pool.

Typically, individuals who are able to successfully lead a merger of HEIs have already demonstrated positive and strong leadership qualities and team-building skills. For example, an analysis of approximately forty mergers occurring since 2000 (Azziz et al. 2017) indicated that "successful" mergers seem to have had decision makers who had already been managing their HEIs well, while also proactively managing the merger process.

In selecting a "merger leader," governing boards would do well, first, to select a transformative leader with experience and comfort in the change management arena. Governing boards may choose to select an outside leader, particularly if internal candidates are ambivalent about the merger. Second, governing boards must delegate authority and empower these leaders. Without clearly delegated and delineated power, leaders will be unable to achieve the goals set for them. Third, governing boards should strive to provide the necessary cover and support to their leaders. Mergers will always be painful, and there will always be ample opportunity for criticism and finger pointing. Fourth, a significant factor in ensuring the success of a merger and the effectiveness of its leaders is to ensure that they are able to focus on leading the process. Hence governing boards should strive to relieve the chosen leader of as many other burdens as possible. Finally, regardless of prior experience, it may be useful to provide chosen leaders with the opportunity to simultaneously further their skill set, through additional leadership training and development, and executive coaching.

When possible, the selection of the executive to lead the merger should be declared at the time the intent to merge is announced, to avoid the inevitable jockeying, undermining, and disruption that will occur if the position is deemed vacant and to help reduce the level of uncertainty arising from the

When selecting a merger leader, governing boards should:

- Appoint a transformative leader with experience and comfort in the change management arena
- Clearly delegate authority and empower these leaders
- Provide the necessary cover and support to these leaders
- Ensure that these leaders are able to focus fully on leading the merger
- Provide opportunities for simultaneous leadership development

merger proposal. We discuss these leadership qualities and conditions in more detail below.

*The "transformative" leader.* The type of leaders who are most likely to lead successful mergers are transformative, that is, they can actively manage and achieve significant social, organizational, structural, and institutional transformations. Successful transformative leaders generally exhibit seven key skills, including being able to provide operational envisioning, setting and managing pace, prioritizing and driving communication, thriving in extreme ambiguity and uncertainty, being willing to personally and directly engage in the process, and being able to accept and manage significant risk (see box 12.1).

*Operational envisioning* refers to the ability to imagine and articulate a vision that is not only compelling and inclusive, but also includes sufficient

**Box 12.1 Seven Skills of Transformative Leaders**

1. Operational envisioning
2. Setting and managing pace
3. Robust project managing
4. Prioritizing and driving communication
5. Thriving in extreme ambiguity and uncertainty
6. Willingness to personally and directly engage
7. Accepting and managing significant risk

detail to allow envisioning of the new institution—the "how we will operate" of the vision. While leaders should avoid providing excessive detail on issues that are not yet clear, they should strive to provide general guidance as to how the new ecosystem will operate.

Transformative leaders must also be skilled at *setting and managing pace*—the "drumbeat" of the process. They must grasp the time dependency of the merger and ensure that processes are in place in order to "close the loop" on pending items. There are myriad items that need to be accomplished in a merger, and the pace will vary for each. Transformative leaders must have the ability to inject sufficient and appropriate urgency, while managing the inevitable crises that will arise. In short, they must have a good understanding of what a robust project management system looks like, and be well suited and trained to manage it.

Transformative leaders must be excellent communicators and able to *prioritize and drive communication*, recognizing that communication in a complex loosely coupled environment such as higher education is a bit like "throwing a pebble in a tar pit" (Azziz 2014). And transformative leaders must be able to *thrive in extreme ambiguity and uncertainty*, *be willing to personally and directly engage* in the process, and finally, and most importantly, *be willing to accept and proactively manage significant risk*.

*Delegating authority and empowering merger leaders.* A common denominator in most studies of mergers, as well as in our leadership interviews, has been the link between merger success and the degree of authority afforded the leaders of the merger. It is critical that governing boards not only clearly demonstrate their support for the selected leaders, but also ensure that these individuals have the unambiguous authority to execute what may often be painful and difficult decisions, while seeking to ameliorate campus anxiety and disaffection.

Although such clarity of authority seems elementary, a long tradition in higher education leans toward a "village green" form of democracy, in which each individual position is deemed credible, and part and parcel to institutional decisions (Hofstadter and Metzger 1955). It is this concept, and the principle of shared governance, that makes the modern university a great asset to humankind and is simultaneously so difficult to lead. When an institution is considering assuming a "willing-to-be-acquired" status, or when a merger of relative equals is contemplated, these prerogatives surface al-

most immediately. Special effort must be made to provide sufficient information to faculty to encourage their support.

*Supporting and providing cover.* Governing boards must provide clear support for their chosen leader, implying that boards should not provide ambiguous or unclear messaging about the merger or the merger leader. The board's support should not only be tacit, but also explicit and open. And this support should be clear—even when errors are made, recognized, and addressed—because there will always be mistakes, big and small, in such a hectic environment as that of a merger. Governing boards must recognize that the merger process will not be without its flaws.

Governing boards should be willing to provide confidential guidance, advice, and correction to the leader, as necessary, and leaders should be ready to listen carefully. And while publicly labeling the leader as the chosen "change agent" may hamper their later ability to remain within the institution, it also helps provide context to their mandate and role.

Boards must also be prepared to provide their chosen merger leader an acceptable exit strategy once the task is accomplished, if so chosen. Not many "change agents" who are courageous enough to lead the level of transformation that a merger requires should expect long tenures in the chief executive seat. Furthermore, the requirements of leadership may change over time. Leaders who are effective in the early parts of the merger may not always be those who are the most effective—or accepted—in the latter stages of the postmerger period. The knowledge that an appropriate exit strategy exists will allow those individuals leading the transformation to focus more on leading the difficult task of the merger and achieving results, and less on assuring their own tenure.

*Allowing merger leaders to fully focus on the merger.* Leaders who are dealing with multiple other commitments and initiatives may find it difficult to provide the needed attention to the process. Management's attention is a valuable and scarce commodity in institutional life, but a leader's undivided attention is required in abundance in the planning, negotiation, and execution of a merger. Hence the leader, the administrative team, and the governing boards should make all efforts to relieve the merger leaders from as many other responsibilities as possible. This may entail appointing interims and delegating responsibilities to others on the administrative team. Gov-

erning boards and leaders should never underestimate the degree of attention and focus that leading a merger requires.

*Provide opportunities for simultaneous leadership development*. All leaders, current or emerging, could use additional continuing leadership development and insight, and more so those undertaking a transformation as unique as an HEI merger. In their study examining the effect of leadership and change management strategies on the acceptance of cultural change by individuals, Kavanagh and Ashkanasy (2006) noted that training in the process of transforming organizations was critical to assist individuals to lead mergers successfully. Consequently, it will be useful, regardless of prior experience, to provide those who are leading mergers with parallel opportunities for leadership training and development, and executive coaching.

### Transitioning Leaders during a Merger

During the merger process, and until the accreditation process is complete, there are usually two chief executives in place, since most accreditation standards require that a campus have a single lead and that campus chief executives not operate more than one independent institution. The transition from two chief executives to one can be problematic, particularly if one is to remain as the eventual head of the unified campus. In many cases, the opportunity for a merger of institutions arises when one or both of the HEI chief executives states an intention to retire or leave.

It is difficult for both chief executives (either both interims, or one interim and one postmerger leader) to be consistent in their messaging, particularly since they may differ in their enthusiasm. A disruptive or uncooperative campus leader, even if interim, can create significant difficulty in achieving merger success. Nonetheless, the incoming designated leadership team must consistently and emphatically recognize the contributions of *all* outgoing chief executives and their team.

For example, for the system-wide mergers within the University System of Georgia (USG), which began in 2011 and are still ongoing, the USG governing board chose immediately upon announcing the merger to designate the chief executive of the future merged institution. Making this designation is easier if the outgoing president of one of the campuses is retiring or taking a new position, although this has not always been the case. Regard-

less of circumstance, having one clearly designated leader reduces the level of campus uncertainty.

### Allocating Resources

Regardless of any synergy between the merging institutions, one thing is certain—mergers cost. There are expenses surrounding branding, signage, printing, uniforms, system upgrades, and the like that are only somewhat offset by cost savings generated through personnel consolidations and economy of scale. There may be a need for equalizations to bring salaries paid at one campus on par with the other or for funding to address unmet legal requirements, including disability accommodations.

During an HEI merger, there will be multiple "hidden" expenses that must be attended to, and priorities will need to be set in order to determine what must be done immediately and what can be postponed until later. For example, one merging institution decided to use current athletic uniforms until more funding was available, as they had the only athletic programs in the merger. Another decided to delay some of the higher cost signage for their campuses. Alternatively, implementing these savings by delaying what are essentially symbols of a unified institution may delay the merged HEI's community from embracing the transformation, and may further add to employee angst.

The process of preparing for a merger is costly not only monetarily, but also in time, opportunity, and mental and emotional reserves. In fact, the vast majority of resources required are personnel time and attention, and it is important to attend to employee stress. Furthermore, many of the resources required will have to be obtained from existing institutional sources. Unfortunately, the merger diverts attention from existing day-to-day operations and incurs significant "opportunity costs," as other worthy projects may need to be put on hold. Our leadership interviews suggest that the human and monetary costs of integration are almost always underestimated.

Additionally, there are significant human, political, and public relations costs. For example, politically complex decisions may be required, particularly those involving leadership appointments. There may be two finance officers, two heads of human resources, two deans of a specific school, and so on. Careful scenarios should be constructed to balance the cost of retraining and repurposing these individuals against a reduction in force. Clearly,

**Box 12.2 Example Areas That Should Be Assessed for Resource Needs during the Merger of HEIs**

- Media relations
- Advertising and identity creation
- Alumni support
- Foundation liaison
- Institutional advancement
- Transportation
- Liaison to accreditation agencies
- Policy inventory and control function
- Institutional technology
- Human resources
- Facilities

consideration of tenure, longevity, and potential creation of animus will be required. Indeed, this rationalization of the merged entity is one of the more difficult tasks of any merger leader, and one that leaders often prefer to delay, also at some cost.

In preparation for the merger and estimating resources needed, a detailed inventory of assets and a "needs assessment" in various functional areas should be undertaken (see box 12.2). There may be significant costs during this preparatory phase, and leadership must determine available resources for supporting the process and its implications. The number of personnel and the cost of creating a project management system (see chap. 15) must also be estimated upfront. There will also be a cost incurred for many ancillary institutional functions. Physical plant inventories and assessments may require the hiring of external experts. Buyout packages for certain employees may be costly, and seemingly mundane issues, like bus routes, will take time and attention. The integration of the information technology (IT) systems may be the costliest in time, equipment, and money.

Too often, governing boards and other leaders pressing for the merger underestimate not only the magnitude of leadership skill required, but also the real and the opportunity costs involved. Assigning sufficient resources to the merger process may be a difficult task, however, particularly for an

institution already facing financial exigency, which is why HEIs fare better if they consider their merger options before they are in extremis.

### Managing Opposition

Mergers are *always* painful and there will *always* be some opposition. And while mergers are seldom a completely happy experience, the need for a merger is usually so apparent, and an alternative to merger so elusive, that the transformation is accomplished regardless (Millett 1976). There are a number of approaches that governing boards and leaders can take to ameliorate the effects of the inevitable opposition that will present itself (see box 12.3).

Most importantly, merger leaders should fully *expect opposition*. While opposition often arises from some members of the faculty, other groups such as alumni, students, and even local community groups may also be quite vocal in their opposition. And opposition is made worse by the frequent need for confidentiality (some would say secrecy) during the early stages of merger consideration, partnering, and negotiation (see chaps. 8–10). Consequently, merger leaders should strive to *not take criticisms personally*, even if the criticisms are personal. Our interviews with merger leaders revealed that many had suffered the slings and arrows in person and in the media in ways that would have left most individuals feeling violated and sullied. But anger, anxiety, and fear are a leader's worst enemy and can compound the stress of the situation. Consequently, this is the time for leaders, particu-

**Box 12.3 Approaches That Merger Leaders Can Take to Deal with Opposition**

- Expect opposition
- Do not take criticism personally
- Be visible
- Engage
- Stand firm
- Provide cover
- Remember the 20-60-20 rule
- Do not underestimate the speed of communication

larly those who will be "at the tip of the spear," to prepare themselves mentally and ensure they have strong and plentiful emotional support.

But while protecting their psyche and emotional state is critical, merger leaders must also *be visible*. While revolutions and subversions can be led by leaders in hiding or at a distance, transformations as great as an HEI merger require leadership that is visible on the front lines. They are not successful when leadership is in hiding. Consequently, and as our leadership interviews have confirmed, merger leaders must be willing to *engage*, and participate in the dialogue and decision making needed to accomplish the merger goals, including engaging a broad community of stakeholders.

While governing boards and HEI leaders must be willing to listen to and engage in dialogue with all stakeholders, they must also be clear about the vision and reasons to *stand firm* on the decision to merge. Vacillation and wavering are signs of uncertainty and will invite greater and more aggressive opposition. Once the decision to merge is made, the decision is final. And while there will certainly be many operational corrections in the months and years ahead, rehashing the decision to merge should not be one of them.

Governing boards, as mentioned above, should also provide significant *cover* to the chief executive and the team that will operationalize the merger. They do this in part by the important messages they send: how the ultimate decision for the transformation rests with the board, why the need and rationale for the confidentiality during negotiations, why the need and inevitability of the decision, their confidence in the leaders chosen to execute the merger, and the degree of authority delegated to the leader to execute the merger. In essence, they must provide consistent public recognition of the leader's efforts and competence, what is often described as "air cover." A board that waffles, sends mixed messages, rails against noise and protest, is unwilling to protect its leaders, or is unclear as to why the merger is needed, will lead to the likely failure of the merger, not to mention damage to the chief executive's reputation and professional integrity.

Governing boards and merger leaders will do well to remember *the 20-60-20 rule*, referring to a common finding in many change environments (Strand, n.d.; Jaworski and Pitera 2015). In every great change event, approximately 20% of stakeholders will readily embrace the proposed transformation, another 20% or so will oppose it to the death, and the remaining 60% will stay neutral or undecided, pending additional information and direction. Time and efforts to address and convince opposing parties are lim-

ited resources. Instead of spending valuable political capital and managerial energy on trying to convert the 20% of "unbelievers," leaders should initially focus their energy on engaging and gaining the acceptance of that 60% of undecided stakeholders, leveraging the 20% of immediate "believers."

Finally, merger leaders and their boards should *not underestimate the speed of communication* in today's web-based, social media–driven environment. Even a small number of disaffected individuals can generate a significant amount of distraction and commotion. Merger leaders should attempt to get ahead of these situations by proactively implementing frequent and multiple avenues of communications and ensuring the 5 C's of effective communication (*c*lear, *c*oncise, *c*onsistent, *c*ompelling, and *c*omprehensive). See chapter 11 for more on communicating during a merger.

### Final Thoughts

A governing board can increase the odds of success of a merger by selecting a transformative and experienced leader, and offering that leader clear support and empowerment. Governing boards can further facilitate the success of the merger and their selected leaders by allocating sufficient resources, which includes not only sufficient funding and personnel, but also leadership focus and attention. Finally, governing boards will play an important role in effectively addressing, along with the chief executive and their team, the contrarian views that will inevitably emerge. In Part III, we address the many specific operational actions that must be taken to successfully execute a merger of HEIs, beginning with a review of merging individual organizational units in a context-sensitive manner in chapter 13.

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# Part III
# Effectively Executing Mergers in Higher Ed

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# 13
# Merging Organizational Units in a Context-Sensitive Manner

Although the acquisition of a small entity may leave the acquiring institution unchanged, a merger of equals or near-equals often requires the reorganization of nearly every unit of all the merging entities. Reorganization of academic, administrative, and ancillary units should occur in a context-sensitive fashion, tailored to the unique circumstances of each unit. In this chapter, we discuss some of the specifics of managing the amalgamation of specific organizational and administrative units during a merger in a context-sensitive manner, including leadership, academic units, faculty services, student services, administrative support, campus safety and security, advancement and alumni relations, marketing and institutional relations, auxiliaries, athletics, and legal and general counsel services (see also Appendix B).

## Leadership Structure and Roles

A formal leadership infrastructure in industry or health care often consists of role charters, curriculum mapping, and extensive training and leadership development. A performance management system with regular individual development reviews is considered necessary. In higher education, much of that leadership infrastructure is often lacking. Performance reviews may be perfunctory, and clarity of roles vague. It may not always be possible or desirable to build this infrastructure in the context of merger execution, although the merger does provide the opportunity to begin to craft such a framework, which will serve the newly merged institution well into the future.

Formal review of the organization's leadership infrastructure should occur during the immediate postmerger period (Pepper 2015), if not before.

The degree to which this process is formalized should fit the organizations' cultures. Role charters assign specific portions of the strategic plan to leaders within the organization. Such charters create expectations and boundaries within the organization, and care must be taken not to place excessive boundaries around the newly acquired or merged entity, considering the fluidity of circumstances. A review and strengthening of the existing performance management system, as well as the institution's hiring practices, will emphasize the goal of organizational renewal and encourage full assimilation.

Balkanized silos will almost certainly fail to meet expectations. The governing board and the principals involved must be committed to full assimilation, while having a clear understanding concerning the time and energy that goal will require (see also chap. 12). It is worth repeating that although bigger is generally better, assimilation does not derive from size, organizational charts, or fiscal spread sheets. Assimilation depends on people skills that flow from the leadership of the merged institutions.

### Academic Services Reorganization

The merged institution must revisit its mission and vision statements (see chap. 11), particularly when adding or subtracting campuses and programs. These discussions and changes are helpful in that the institution may formulate and place academic programs where they are most needed. Deleting programs, moving programs, and even adding academic programs can be stressful for the entire institution. For this reason, academic affairs and business affairs should be communicating often, and they must keep institutional leaders informed. Academic decisions that are made in silos, even if managed by the faculty concerned, will invariably face resistance in a newly merged HEI. Such resistance stems in part from the increased need to compete for resources and attention in the new order, from the need to demonstrate greater institutional cross-collaboration and engagement, and from the need of appointed leaders to assert some degree of organized decision making.

Mergers often create a need to revisit the core curriculum, a difficult task in the best of circumstances. When performed during a merger, it is important to take every precaution that decisions are not made by a single campus voting en bloc. Skilled facilitation is helpful. In one merger, academic leaders were stymied by disparate language requirements—one former institution required language, while the other did not. Issues like these raise phil-

osophical issues related to the mission of the institution and have significant implications for resource allocation. A department may believe that "their course" is being replaced or their worth diminished, demonstrating the need for renewal of the mission and vision declarations. In the above case, a compromise was reached, but only after protracted and difficult discussion.

The organizational structure of academic departments can create great schisms, as some personnel may lose or change job titles. There can be only one dean for each college or school, and only one academic department head. With an increase in institutional size, however, there may be greater opportunities to provide alternative job or leadership opportunities. While some academic leaders may seize upon the opportunity to assume new responsibilities, more often, difficult personnel decisions are required.

Some may assume that there will be significant cost savings with the merging of libraries; however, that is not generally the case. Without geographical proximity, much duplication in library services is necessary, and there are little cost savings in book purchases. But library personnel titles must be settled, and there are often software and procedural issues that need to be synchronized. Heck et al. (2013) described the case of two library systems combining as a result of the merger of their parent institutions and noted a series of important lessons that apply to other structures within merging HEIs (see box 13.1).

Finally, mergers provide an opportunity to learn from the other merging partner. Sharing ideas and educational philosophies helps create a more vibrant institution. Discussion groups or workshops for faculty and staff are often helpful. Dominance in decision making by one party or the other should be avoided when possible.

### Faculty Affairs Reorganization

Promotion and tenure (P&T) policies will need review. Institutions that are similar in scope may have relatively few differences, but those with disparate missions may require considerable work to consolidate their policies. Decisions made during the merger process can deeply affect faculty satisfaction and consequently the success of the merger. This is particularly true when P&T requirements are more stringent for only one faculty cohort. Although some merged institutions decide, at least in the short term, to maintain two different P&T systems, we strongly discourage this practice. While the requirements for promotion or tenure may vary by cohort or specialty,

### Box 13.1 Merging Organizational Units in a Context-Sensitive Manner: Lessons Learned from Merging Libraries

- Acknowledge and embrace the complexity of each organization's culture and identity.
- Safeguard core services, programs, and collections of each library's primary clientele while addressing the demands of new initiatives.
- Think outside the boxes of the respective former institutions.
- Expect, acknowledge, and address the inevitable emotional stages of the grief process that begin as soon as the change process begins.
- Stay in touch with the libraries' primary customers who are themselves either heavily involved with or affected by the merger.
- Make all decisions regarding service with the libraries' patrons in mind.
- Thoroughly involve as many individuals as possible at all levels in providing input, making plans, and suggesting reallocation of resources.
- Identify collaborative projects that will benefit all libraries, and carefully select faculty and staff in corresponding affinity areas to work on these.
- Make every effort to stick to the time line and work closely within the system, processes, and procedures that the institutions' joint merger planning team has put in place.
- Maintain close connections with campus IT, HR, and business operations personnel; establish formalized liaison relationships where possible.
- Carefully consider and map out the hidden costs of merging libraries (e.g., moving physical collections, renovating space, managing two separate budgets for some time if fiscal years differ, and the like).
- Communication is key!

*Source:* Adapted from Jeffrey J. Heck, Kathy J. Davies, Fay L. Verburg, Marianne Brown, Virginia L. Loveless, Sandra L. Bandy, and Brenda L. Seago, "Consolidation: A Tale of Two Libraries," *Library Leadership and Management* 28, no. 1 (2013): 1–14

the P&T system adjudicating such a process should be university-wide, which will facilitate faculty assimilation.

Particular attention must be given to faculty who were well along in the tenure process but who may not meet new standards. One solution is to offer additional time or alternative non–tenure track positions. Other merged institutions will opt to maintain two different P&T policies, reflecting disparate missions, and make the decision that full assimilation in this arena is not desirable. But this may result in suboptimal assimilation of the faculty and foster the continued sense of "us" and "them."

Similarly, faculty development and incentive programs will need review. Different rules, priorities, procedures, and goals will hamper assimilation. It will be important for the work group charged with this task to solicit opinions as to what development and incentive programs are working best. There may also be budget restrictions to consider.

### Student Services Reorganization

A principal goal of most HEI mergers is to make the institution better for its students. Finding the right mix of programs to enhance academic success is an important undertaking. Learning support must facilitate enhanced retention and graduation rates. It cannot be assumed that each merging cohort will benefit from similar services. Data analysis may determine where and what services are most needed. Campus prejudice must be put aside to allow consideration and adoption of the best ideas from each campus. Each cadre can benefit from the experience of the other.

The representation of students in university-wide policy making will require review and reassessment. A revised and uniform student code of conduct will be needed and may require significant legal review early in the process. The student affairs officer (SAO) must obtain data concerning the new cohort of students, including demographics, persistence and graduation rates, average ages, percentage of transfer students, and so on to optimize those policies, programs, and services that will most positively influence student success. The SAO should also survey other campus leaders, including

Campus prejudice must be put aside to allow consideration and adoption of the best ideas from each campus.

the chief executive, about ways student success might be enhanced. A merger constitutes a unique opportunity to instill new thinking and innovation in this important outcome (Azziz 2015).

Enrollment management strategies are inextricably tied to the populations from which they draw, and recruitment is tied to institutional brand; therefore enrollment management also must adopt new strategies. There must be clear identification of existing and new academic programs on each campus of the merged institution, and the recruitment opportunities for each, all while highlighting the new brand. It will be important to minimize confusion, so admission deadlines, required materials, and application forms must be reviewed and unified well in advance.

Policies and procedures relating to international internships, study abroad, and faculty exchanges may need to be updated. As the merging institutions integrate, there may be enhanced opportunities for global engagement, and information sessions and international fairs on each campus may serve to promote interest.

### Administrative Support Systems Reorganization

Changes in the budget, comptroller, and bursar offices must meet audit and legal requirements. The personnel in the budget office will face a greatly increased workload in the year following the merger announcement, particularly if the budgeting system and software are significantly disparate between merging institutions. Regular audits, class registration, and reconciliation must continue despite the increased workload; maintaining morale may be difficult. One merging institution reported that the fiscal offices worked every weekend except two during the year of transition. Another reported the need to maintain two sets of accounts, one to meet the US Department of Education's requirements and the other to meet their regional accreditor's requirements.

The finances of the merging institutions will become one system upon approval by the governing and accrediting bodies. The year of transition will require that finance officers consolidate completely all financial systems while developing an understanding of the other's budget systems. Policies, forms, and procedures must be synchronized. Details such as travel policies and leave requests must be unified.

In general, information technology (IT) is one of the most difficult areas to address. If institutions are using the same IT platform, the transition may

be smoother, but there will still almost certainly be difficulties in consolidating the two systems. Parallel systems testing, although critically necessary, will greatly increase staff workload and should be shortened as feasible. IT security is of highest concern, and closing vulnerabilities and protecting against a data breach should be of the greatest importance.

Facilities staff will face unique challenges relating to differences in auditing, tracking, maintaining, and vetting of capital projects and facilities. After a thorough inventory, all properties should be assessed for needed maintenance and repairs. New signage and enhanced way-finding, both on and off-campus, is imperative. Courier services, bus routes, work orders, and mail distribution are additional details to be considered.

Human resources (HR) services will also need review. Its leaders must identify the organizational structure of the merged HR offices that can best facilitate institutional success and assimilation, taking into account disparate procedures, processes, and policies, as well as the culture of the merging institutions. Once leadership and administrative personnel for the merged institution are determined, job descriptions and titles will need to be adjusted for all positions. Salary benchmarking and equalization, particularly in a unionized environment, present great difficulty and painful dilemmas.

### Campus Safety and Security Reorganization

Communication is an important ingredient of dynamic and evolving public safety and police work. Great disparity in policing cultures may exist between merging campuses, and because the policing should eventually be the same across campuses, significant reorganization of public and campus safety may be required. Disparate methods of patrol will be encountered, depending on the size of the campuses, and whether the campuses are residential or commuting, undergraduate or graduate, professional or adult learners. Uniforms will have to be made the same, and policies, procedures, and software systems will require reconciliation. Most importantly, cultural nuances and policing philosophies will require integration and alignment.

Difficult situations may arise when combining the security forces of two different types of campuses. For example, in one case, the campus police force of a primarily urban graduate HEI located in an area with significant criminal activity merged with a suburban, mainly undergraduate, institution. The former was a state-certified police force that practiced aggressive tactics to deal with crime, including carrying tasers and firearms. The latter

was an unarmed campus security detail designed to deal with student misbehavior and the occasional stolen laptop. When the two security departments merged, a rigorous security stance was taken throughout, which unfortunately led to overly aggressive policing of minor infractions on the undergraduate campus and the shooting of a visiting student (Hodson 2018).

Consequently, there may be a need for different safety and security approaches, depending on how distant and different the merged campuses are. Coordination with local law enforcement may differ. Jurisdictional and emergency memoranda of understanding (MOUs) for each of the campuses may need to be tailored to the surrounding communities. One size does not fit all when it comes to policing. Notwithstanding, a central dispatch system coordinating all campuses and their emergency communication system is needed.

### Advancement and Alumni Relations Reorganization

Many, if not most, HEIs have foundations that are legally separate from the university to manage and invest philanthropic dollars. Merging university foundations may present unique challenges. Foundations and development offices often have different emphases, for example, investment management, gift stewardship, active fundraising, real estate development, alumni relations, or even community engagement. Emotions can be intense during a merger, and alumni and supporters from each of the former institutions may feel a deep sense of loss. In response, they may fight to preserve the integrity of their foundations. In this circumstance, several merged HEIs have opted to maintain multiple foundations, at least for some time following the merger.

Nonetheless, managing multiple foundations adds a complexity to university advancement at a time when gift giving may be hampered by the transformation. One approach to manage multiple foundations is for the merged institution to allocate duties to the foundations based on activity (e.g., fundraising vs. real estate development) or by sector (e.g., alumni of the medical college vs. alumni of the business school). It is also critical that, regardless of whether there is one or multiple foundations, all parties have genuine interest in maximum transparency, working to use a uniform reporting system, proactive discussion of philanthropic prospects, and clear distinctions in roles between the foundations, and between the foundations and the university.

Optimally, merging HEIs should strive to consolidate their external philanthropic and real estate foundations into one to avoid conflicting messages about the predicted outcome of the merger. A merged foundation illustrates that the new institution is unified, organized, and prepared to move forward. External facilitation by expert consultants may occasionally bring a pragmatic, unbiased approach that can ease tensions.

With or without a consultant, it may be helpful to designate an equal number of representatives from each institution to review foundation bylaws. One merging institution designated four from each cohort, who went on to agree that no change would be made without unanimous agreement, creating an environment more focused on issues than on standing individual ground. Among the issues that need addressing may be the size of the new foundation, the term limits of the board members, and the board's selection process. If board membership is reduced, it must be determined who will leave the group and when.

Alumni and donor relationships may be taxed by the merger. Keeping alumni informed in a timely manner about the merger process, and addressing respectfully anger and hostility surrounding identity change, is imperative. Concerns may include academic stature, a changed mascot, and fear of program elimination. Despite the threat of withheld donations, alumni most often remain loyal to their institutions. It is imperative that advancement staff or leaders personally visit high-level donors as soon as possible. A visit goes a long way to diffuse donor tension. At times, donors have designated contributions to a program that will no longer exist after merger and will need assistance to determine next steps. These are difficult visits, and development officers must receive support and training.

The impact of a merger on gift giving may be positive with time if well managed. One merged institution reported a 500% growth in scholarship giving in the first three years after merger, and others have reported strong giving, albeit following a decline immediately after the merger. The institutional transformation may also enhance corporate giving. Once it is clear that the new institution will flourish, and that it is larger and serves a greater constituency, its attractiveness to businesses will be increased. There will be multiple opportunities for a team of two or three to meet with businesses to make introductions and explain how the new institution will provide expanded opportunities to their communities and their employees.

### Marketing and Institutional Relations Reorganization

Marketing and media will take on completely new roles after a merger. Marketing materials must be revised, and there must be clear evidence that each campus matters and all stakeholders are valuable. Additional training may be needed to serve a larger institution, and decisions concerning personnel, synchronization of informatics, and development of promotional materials will be required. Robust communication with media outlets will be even more important than before as the new institution articulates its new enhanced brand. Chapter 16 details further strategies to deal with branding and communications during an HEI merger.

### Auxiliary Services and Enterprises Reorganization

Multiple auxiliary services and enterprises will require consideration during a merger. Both institutions may offer dining service with similar or disparate meal plans. Outside contracts may require renegotiation. The bookstore will need to sell outdated logo merchandise during the transition year and create a new sales strategy going forward. There will need to be reviews of parking capabilities and contracts, vendor contracts, and facility usage contracts with external parties. Many changes will need approvals from an independent foundation, real estate foundation, or other oversight entities.

Institutions with ancillary clinical facilities face particular challenges during a merger, including the integration of faculty clinical practice plans, hospitals, and clinics. Furthermore, these types of mergers attempt to integrate different campus cultures and faculty compensation structures, requiring specialized attention (Azziz 2014).

### Athletics Reorganization

Merging athletic programs can be an emotional undertaking. Moreover, athletics must comply with National Collegiate Athletic Association (NCAA), the National Association of Intercollegiate Athletics (NAIA), or other collegiate athletic associations or conference guidelines. If the institutions are not in the same division (e.g., NCAA Division I, II, or III, NAIA, etc.), reconciliation will be required. In one documented merger of a Division I university and a Division II institution, the NCAA required that all Division II teams be eliminated and the student-athletes released from their

contracts. Because the Division II teams had won numerous national championships, this requirement was understandably met with much angst. Chapter 14 includes further details concerning the regulatory aspects of merging athletic programs.

If both institutions have the same specific athletic program, merging the two programs will be necessary. The gender balance of student-athletes may change following the merger, triggering the need to curtail or discontinue athletic offerings to meet Title IX requirements. Additionally, during a merger of athlete programs, school colors and mascot must be determined, a sensitive matter. Whether the colors and mascot are maintained from one HEI but not the other, or whether completely new colors and mascot are chosen, and to what extent the university community is engaged in and listened to in their choosing, such choices are an important sign of whether the merger is one of equals or not. Chapter 16 reviews further the complexity around branding a merged institution.

### Final Thoughts

The success of the merger will rest on the effective and timely integration of all the academic, administrative, and organizational units that comprise the HEI. Such integration is critical to understanding which administrative and policy reorganizations are required before or after the merger. Box 13.2 reviews some of the lessons to be remembered in merging organizational units.

Also, the hard work of amalgamating and reorganizing individual administrative and organizational units may cause leaders and governing boards to neglect the cost of change to employees and other stakeholders. As Rollo and Zdziarski (2007) remind us, "the impact of crisis on . . . the institutions' ability to accomplish their educational mission must be addressed, but it is the human side of the equation that begs our attention as educators committed to serving our communities."

Open acknowledgment that employees are facing multiple challenges during a merger, and the cost of this change to them, will be an important step in managing the integration. A willingness to make adjustments throughout the process of administrative reorganization, while helping staff understand the benefits of the change and the vision of the future, is essential. In chapter 14 we delve more deeply into the legal and regulatory constraints and obligations that HEIs will have to undertake during a merger.

### Box 13.2 General Principles for Merging Individual Organizational Entities

- Merging organizational units should occur in a context-sensitive fashion, tailored to the unique circumstances of each unit—one size does not fit all.
- Mergers offer the opportunity to reexamine and codify all processes, practices, procedures, and policies that underpin the operations of an HEI.
- It is critical to determine the exact order and priority of the administrative reorganization—what needs to be addressed earlier and what can be left for later in the merger—a process that is facilitated by the availability of a robust project management system.
- Egos should be put aside, and leaders should aim to choose operational and administrative "best practices" for the merged entity, regardless of whether it is offered by one or the other merging partner or whether it is discovered externally—and they should not settle for compromise choices.
- Merging organizational entities is about operational details and minutiae—it is critical to actively engage and listen to those individuals at the front line of operations.
- The increased stress and multiple challenges that employees face during a merger, and the cost of this change to them, should be acknowledged openly and empathetically.
- A willingness to make adjustments throughout the process of merging organizational entities, while helping staff understand the benefits of the change and the vision of the future, is critical.

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# 14
# Managing Institutional Legal, Corporate, and Regulatory Obligations in a Merger

The number, variety, and breadth of a higher education institution's legal, regulatory, or quasi-legal relationships are significant, demonstrating the connectedness of the world in which we currently live (Pepper 2015). These relationships often constitute institutional obligations and barriers, both of which require careful consideration. Laws, contracts, and agreements, both formal and informal, may require detailed renegotiation at a time when emotions surrounding institutional identity run rampant. There will certainly be additional issues if a name change is involved. The regulatory thorns may include managing changes in the Integrated Postsecondary Education Data System (IPEDS), tax identification numbers, real estate contracts, service contracts, accreditation agencies, and others. Managing these responsibilities, and assuring their timely and accurate completion, begins in the late premerger phase, continues throughout the merging phase, and typically also continue in the postmerger.

Two example cases serve to illustrate these complex needs. Founded in 1865, Rider University, a private, comprehensive university in New Jersey, purchased Westminster Choir College in 1992, located close to one of Rider's campuses and considered one of the leading schools of music of its kind. But a cost study and an interest in maintaining the legacy and continuity of Rider's Westminster Choir College (WCC) campus prompted the trustees and senior leadership to consider the option of divesting the campus. The university was in negotiation with an international partner for the sale of their WCC campus. Because the buyer was international, Rider faced extensive complexity surrounding licensure, accreditation, federal financial aid regulations, visa authorization, and service agreements. Realizing the need for

a strong project management system, they utilized PricewaterhouseCoopers for a strong, independent perspective.

In 2014, Franklin University acquired Urbana University's assets, making Urbana a branch campus of Franklin University. Urbana had struggled financially, and the acquisition was an economic boost to the surrounding area. Reaccreditation work began immediately, and there was an urgent need on the Urbana campus for web and information technology (IT) support, budgeting, balance sheet management, and overall composite financial index enhancement. It was imperative that Franklin personnel ensured timely implementation of Higher Learning Commission (HLC) and Department of Education (DOE) requests. Project management (PM) involved monthly strategy sessions and a robust website. They dedicated more than ten Franklin employees to shared services, personnel management, and fiscal processes.

Clearly, expert legal counsel will be important in negotiating the details of a merger contract, in addition to myriad other regulatory and legal items (see box 14.1). Institutions that are merging without an experienced in-house general counsel will want to seek expert outside assistance. Below we discuss in more detail the generalities around managing legal, corporate, and regulatory compliance during a merger.

### Managing External Regulatory and Legal Notifications in a Merger

Early in the merger process, the HEI chief executive must create a clear assignment of responsibility for each regulatory, corporate, and legal task (Ylijoki 2014). Academic deans and department heads, the provost, and the accreditation director should work together on the multiple program accreditation changes that will be needed. The chief financial officer must address fiscal issues, which will likely include an internal audit. It is not unusual for there to be differences in software, budget protocols, and compensation plans. During one merger between public institutions, the larger university was denied new construction that had been previously approved because the smaller institution brought considerable debt to the table. As a result, the chief financial officer had to adjust the facilities master plan and facilitate the negating of pending contracts.

Leadership during a merger requires building internal commitment and enthusiasm (Ngcamu 2016). Every effort must be made to empower those

**Box 14.1 Example Issues That May Need HEI General Counsel Review**

- Providing advice or consultation and assistance in negotiating any staff or faculty separation or reductions in force.
- Overseeing policy reconciliation and ensuring that work group policies are consistent, legal, and appropriate.
- Reviewing decisions to determine whether there are conflicting initiatives.
- Ensuring actions are authorized by, and consistent with, governance documents.
- Inventorying and evaluating all active litigation, claims, real property, and intellectual property assets.
- Ensuring that ownership is accurately reflected in legal documentation upon merger completion.
- Inventorying, evaluating, and determining whether contractual provisions related to assignment of rights and responsibilities are in order.
- Confirming compliance with record retention requirements.
- Coordinating enterprise risk management.
- Assessing compliance history and culture.

who are negotiating change, while also incorporating necessary checks and balances. There are numerous ways to organize the oversight of a merger. One that is commonly used is the creation of a master oversight committee (typically cabinet-level leadership) with fifty to one hundred working groups under their purview. This allows multiple individuals to flag legal, corporate, and regulatory issues that might otherwise be overlooked and to provide systematic updates (see also chap. 15).

The legal and regulatory infrastructure requirements vary widely across institutions, depending on whether they are public or private, state laws and regulations, political impact, level and type of board oversight, and the complexity of their academic programs. For example, a medical college will have multiple oversight agencies not found in other institutions, and religiously affiliated institutions may have additional considerations. Locally funded community colleges may encounter regulations unique to their mission and

funding source. Regardless, to ignore the nuances of regulatory requirements places the success of the merger in considerable jeopardy.

As a consequence of the increasingly difficult economics, there has been an increase in the number of governors and legislators advocating for mergers of public institutions within their state. This often creates a unique challenge to the merger process since it effectively enmeshes an additional regulatory agency, such as the governor's office and the state legislature, in the transaction. When state governments mandate the merger of public HEIs into a more unified "state system," these efforts are often accompanied by exaggerated expectations, such as considerable and immediate cost savings. And they are often accompanied by the added "assistance" of additional legislative, board, or gubernatorial oversight and intervention. Specific focus on outcome goals must be built into the merger expectations if they are to be achieved (Donachie 2017).

It is not within the scope of this chapter to deal with every nuance of law and regulation of a merger. There are commonalities that each merger will need to address, however. The institution's legal team will certainly need to examine the necessary contracts and agreements to determine what needs to be changed, amended, dissolved, or re-created. Moreover, the institution's compliance and chief transition officers will need to be vigilant for several years in order to detect and prevent infractions of the multitude of laws and regulations inherent to the operation of an HEI. While the plethora of institutional relationships is almost unclassifiable, a general categorization may be useful for the purpose of assigning responsibility and assessing compliance (see box 14.2). This list is by no means exhaustive, but it makes readily apparent that a large amount of arduous activity is involved in managing these relationships.

### Tactics to Ensure the Timely and Complete Management of External Notifications and Requirements

To ensure the timely and appropriately sequenced completion of all necessary regulatory, corporate, and legal items during a merger of HEIs, senior management should focus on three critical elements. First, they should develop a punch list or master checklist function. Second, they should create a mechanism whereby unit-level managers and staff are empowered to address notifications and requirements relating to their scope of responsibility.

**Box 14.2 General Categories of Institutional Corporate and Regulatory Relationships**

1. **Legal and regulatory:**
   - Internal Revenue Service regarding tax structure
   - State and municipal governments regarding corporate structure
   - State or municipal tax requirements
   - Police accreditation
2. **Fiscal connections:**
   - Bond rating agencies, creditors
   - Principals of contractual obligations
   - Suppliers
   - Purchasers
3. **Academic relationships:**
   - Accrediting agencies
   - Institutional associations
   - Consortia of academic institutions
   - Programs with special or discipline-specific accreditation requirements
4. **Special-function relationships:**
   - Athletic conferences
   - Collegiate athletic associations
   - Clinical/health care enterprise regulation by the state, federal government, private accreditors, and so on
5. **Internal policies that govern interaction with public or outside agencies:**
   - Bus routes
   - Parking regulations

Finally, they should appoint a chief transition officer or oversight committee that reports directly to the HEI chief executive. These tactics should be implemented immediately and simultaneously (see box 14.3).

The legal, corporate, and regulatory transition "plan" or "checklist" must have clear milestones and measures that are approved by the HEI chief executive, and then reported regularly to governing bodies and other bodies overseeing the process. Assignments to persons or teams, as well as milestones and deadlines, should be specified. Many or most of the outside agen-

**Box 14.3 Tactics to Ensure the Timely and Complete Management of External Notifications and Requirements**

- Implementing a master checklist function
- Empowering unit-level managers
- Appointing a chief transition officer

cies will require formal notification. It is necessary to establish, before the merger is final, a central clearing house for all of these notifications. This function should also be fully integrated into the master checklist. The delegation of authority and responsibility for the checklist must be made clear to the entirety of the combined institutions (Weinblatt 2012).

There are a number of PM software tools available to simplify the task, and the checklist should be linked or even generated by the PM teams (see chap. 15). Whether using a PM system or cabinet oversight model, the task list and deadlines must be carefully managed. Unit managers and others knowledgeable of the pertinent regulatory issues and processes should be liberally engaged. Failure to meet milestones or deadlines requires the attention of the institution's chief executive if execution of a merger is to be completed successfully and on time.

### Example Area-Specific Inter-institutional Obligations

Below, we discuss examples of a number of the more common area-specific inter-institutional obligations that merging HEIs must address, including legal and regulatory, fiscal, academic, and special-function relationships, as well as internal institutional policies. This is not meant to be an exhaustive list of such areas, as each merging HEI will need to construct its own checklist (see box 14.2).

*Legal and regulatory relationships.* The state in which an institution is chartered must be notified of the change in corporate structure of one or both entities. Most academic institutions enjoy tax-exempt status; a change in structure requires notification of the Internal Revenue Service. In some instances, transfer of real property will require alteration of deeds.

In the case of public HEIs that are parties to a merger, legislation will

**Example Area-Specific Inter-institutional Obligations**

Legal and regulatory relationships
Fiscal relationships
Academic relationships
Special-function relationships
Internal institutional policies affecting external relationships

often be required. This latter requirement may be both a blessing and a curse. It may be difficult and time consuming to get the attention of legislators, and public resistance may be registered directly to the legislature. Alternatively, it may be possible to deal with corporate structure, real property, and board composition within the language of the merger legislation, thus facilitating the process.

Once the merger of public HEIs has been decided upon and is irrevocable, as many regulatory decisions as possible should be added to the legislation process. States whose legislatures or governors are contemplating a mandated merger or consolidation should seek local institutional input, but then they must deal with as many structural issues as possible in the legislation to reduce the regulatory burden to the HEIs themselves.

Overall, the institution's legal staff and government relations group will be essential in the execution of a merger, whether within the public or private sector. It is essential for these individuals and groups to be positive about the transformation, and that this enthusiasm be communicated to legislators, accreditors, and regulators. As noted above, half-hearted acquiescence of these individuals can be extremely damaging to the merger's long-term relationship with these agencies.

*Fiscal relationships.* A visit from bond rating agencies is all but certain if significant independent debt exists for any of the merging entities. Preparation for such a visit is an exercise well known to the institutions' finance officers, but in this situation, the HEI's chief executive as well as the governing board must be prepared to give a well-thought-out rationale for the merger and significant details concerning the process of its execution. A pro-

active stance is most helpful; rating agencies should be notified of a change in structure and the rationale for it in advance and as early as possible.

Decisions regarding the parameters of endowment monies may be difficult and emotional. If it is politically feasible, the optimal strategy is to merge endowments into a single fund. If public and private monies constitute two separate endowments, a single joint investment committee would be best. Buy-in from the leadership of the entities holding endowment monies is essential. Investment strategies and philosophies must be integrated, and a plan for full integration of the investment portfolios must be developed. If resistance is met from foundations or foundation leaders, full assimilation of the merged entities becomes more difficult by an order of magnitude (see also chap. 13).

The merged HEI chief executive should become personally involved in gaining agreement from the leaders of these entities. A gifting agreement may require revision, and the original donor of monies may need to be asked for concurrence. There should be a mechanism in place for donors to continue to give to their areas of interest, perhaps to include the ability to limit scholarship funding to students on only one campus.

Other parties that require notification include contractual research partners and vendors of any significant size and impact. The stability of these relationships is important for goodwill in addition to reconciling their records for invoicing and other business transactions. The institution's purchasing and procurement agents should be empowered to begin this work.

*Academic relationships.* The academic mission of the academy is core to an institution; mergers, by their nature, create insecurity around the possibility of changes in this area. Furthermore, the institution's reputation and the career advancement of individual faculty members are often heavily dependent on the entities with whom the university relates. In a real sense, the academic heart of the institution is at stake during a merger (McMullen 2008).

The various accrediting agencies often include a requirement that institutions notify them regarding any change in "ownership," which mergers invariably require. Prompt and proactive notification is advantageous and should be accompanied by a fairly detailed statement of rationale for the merger and something of a vision for the future of the institution. A com-

mon statement to this effect that can be and is used across all notifications is best.

The number of accrediting relationships with which most HEIs deal may number well over one hundred. The simultaneous centralized checklist function noted above will certainly miss some of these relationships. It is once again essential for program leads and unit managers to be empowered and enjoined to deal with their own accreditation agencies during the merger, while keeping central administration upraised. In some cases, an institution may need to hire an outside expert for one or more areas.

Institutions are most often contractually bound to funding organizations, and faculty members often hold grants or other funding from multiple foundations or other public or private entities. Consequently, timely notification to funding agencies is essential. Further, the administrative lead for research, or the grants accounting officers, should conduct information sessions for grant holders and carefully create a supportive communication strategy.

*Special-function relationships.* Athletics programs have many special requirements and relationships, including the athletic conference to which the institution belongs. It is particularly difficult to merge two institutions within different divisions of the National Collegiate Athletic Association (NCAA). For example, an institution cannot usually hold membership in different divisions (I, II, or III) of the NCAA. The NCAA, National Association of Intercollegiate Athletics (NAIA), National Junior College Athletic Association (NJCAA), or other governing bodies can help guide the process should that be the case. Nonetheless, merging may require moving programs to a different level, phasing out selected sports, moving some sports to a different campus, or eliminating programs on one of the campuses. Each of these decisions is emotional and difficult, particularly if student athletes are faced with the dissolution of teams, thus requiring them to drop out of athletics or transfer to another campus or institution. The athletic director will need to oversee a communication strategy that involves the governing bodies, student athletes and their parents, the public, and the administration.

Institutions with health care enterprises will find perhaps the most complex set of regulations and legal requirements, and management may be quite difficult. There will likely be dozens of agencies that require notifications of changes in the corporate structure. The state department of health,

the US Center for Medicare and Medicaid Services, and hospital and clinic accrediting bodies are among the more notable of a long list of those requiring notification or resubmission.

*Institutional policies*. An HEI is dependent, in part, upon clear and reasonable internal policies and procedures. There is an absolute plethora of policies regarding parking, student conduct, noise limit ordinances, and public use of university facilities, among others, and all will need review. Likewise, there are many policies on external relationships that will need review. These polices include guidelines regarding areas such as discrimination claims and relationships to the state employee relationship agencies and the National Labor Relations Board (NLRB). A policy review committee is invaluable, not only to update policies as needed, but also to track and collate policy revisions and renewals.

Timing of policy revision is vital. Some university policies have to be available when the governing body approves the merger, which may in some cases be a massive undertaking requiring a great deal of background work. It is essential that merger leaders understand which policies and procedures must be ready *prior to* the merger being approved, and which can be finalized *after* the merger, to avoid unpleasant and damaging accreditation or regulatory surprises. A point person with authority should be designated to ensure that the library of institutional policies is maintained up to date (e.g., chief compliance officer, chief transition officer, etc.), and there must be broad input, including that of general counsel.

Finally, one of the great benefits arising from a merger is that the transformation provides an opportunity to reexamine and codify the complex processes, practices, procedures, and policies that regulate higher education today. Institutions should aim to identify redundant, ineffective, or unnecessary processes and policies, and to bring in best practices from all merging partners, or from external sources, as necessary. Merging institutions should avoid crafting policies that are solely a "compromise," without seizing the opportunity to reexamine them in light of national best practices.

### Final Thoughts

The legal, fiscal, academic, external, regulatory, and corporate relationships of an HEI are numerous, and dealing with these constitutes a large portion of the hidden costs of a merger. No matter how many, how difficult,

or how much investment is necessary, it is imperative that the leaders of the merging HEIs begin immediately to assign tasks to individuals to facilitate addressing legal and regulatory issues. Leadership must also ensure that transition teams are communicating well. Failure to address these key issues can result in loss of government funding, various punitive legal actions, difficulty with donor relationships, and even loss of accreditation.

There are multiple ways to facilitate the vast amount of work surrounding regulatory obligations. Leadership and staff should explore software aids and the use of external consultants. The scope of legal and regulatory issues may vary greatly between public and private institutions, those with medical or law schools and those without, and two-year and four-year institutions. There are differences between states, and the leadership team must be aware of unique state regulations. It is important to assign those individuals who have the necessary expertise to address the intricacies of each compliance requirement.

Above all, transition plans must be comprehensive and inclusive of regulatory obligations specific to individual departments and divisions. While some policy changes can wait, and some regulations can be extended over time, the vast majority of those related to external regulators, accreditors, and professional associations will require notification and addressing *before* the merger is completed. Chapter 15 details the development and use of a robust project management system to ensure the timely completion of all the many tasks, including legal and regulatory obligations, to be completed to during a merger.

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# 15
# Project Management in a Merger

Mergers that are underway can fail in one of two ways: poor design or poor execution. Managing the orderly integration of the organizational and functional units of the institutions requires an effective project management office or, to use our preferred term, a project management (PM) *system* to ensure integration success. Executing a merger of HEIs is inherently complex, with many interlocking and interdependent elements, each of which, if not handled well and at the right time, can affect overall success or failure. Mergers affect the entire organization but generally cannot be managed through existing organizational processes.

The consequences of not carefully and rigorously managing the integration process are significant. In one example, we tracked the merger of two HEIs whose electronic financial systems were unable to communicate with each other following their merger. As a result, payroll could not be met for weeks, exacerbating staff and faculty angst and generating significant penalties from the employees' union. In another example, involving the merger of two hospitals, the PM system was so loose that appropriate federal and state credentials were not obtained in a timely fashion. Consequently, the merged entity could not generate patient billing for almost a year following the merger, leading to the eventual failure and closure of the entity. In another merger, staff of a newly merged institution realized immediately post-merger that the US Department of Education had not been brought in to the process early enough, resulting in their students not qualifying for federal aid and funding. The net impact was a massive loss in enrollment at a critical time in the institution's development.

Mergers affect the entire organization but cannot generally be managed through existing organizational processes.

### Integration and Project Management in Higher Education Mergers

Most of these types of failures occur because institutional leadership is most often focused on the negotiations and politics of the merger, and less so on its implementation, while the broader university community is concerned with what will change and what will happen. Everybody is fixated on the "Why?" and the "What?" but not the "How?" This is often the reason why even the most promising of mergers fail in execution. While even a robust and expert great PM system cannot ensure success, without it leaders place their institutions and the outcome of the merger at significant risk.

Park and Allaby (2017) define PM as "the deliberate planning, control, and coordination of all aspects of a project . . . in order to achieve the agreed objectives." More simply, a PM system provides a framework for completing a sequence of unique, complex, and connected activities with one goal or purpose (Alpert 2011). PM is a *temporary* endeavor, undertaken to create a unique product, service, or result, in the case the merger of two or more HEIs (Project Management Institute 2018a). The Project Management Institute (PMI) defines the processes of PM to include *initiating*, *planning*, *executing*, *monitoring and controlling*, and *closing*.

**Project Management Processes**

1. Initiating
2. Planning
3. Executing
4. Monitoring and controlling
5. Closing

*Source:* Project Management Institute, "What Is Project Management?" Project Management Institute website, accessed January 22, 2019, https://www.pmi.org/about/learn-about-pmi/what-is-project-management

**Box 15.1 The Benefits of an Effective Project Management System**

- Promotes vision and goals
- Defines time line and steps needed to complete the project
- Identifies stakeholders with the ability to help or hinder a project's progress
- Uncovers and mitigates project risks
- Identifies and establishes pre- and postmerger metrics, measures, and milestones
- Fosters improved quality and excellence and identifies best practices
- Identifies responsible parties
- Fosters transparency and collaboration
- Develops PM expertise in-house

Implementing an effective PM system will yield many positive results (see box 15.1). It will promote and create a framework of reality around the vision and goals of the merger, including defining the time line and steps needed to complete a project, identifying those stakeholders with the ability to help or hinder a project's progress, and uncovering and mitigating project risks (Alpert 2011). It will also help identify and establish pre- and postmerger metrics and milestones, and foster quality and excellence by identifying best practices for the new institution. Furthermore, it will help identify responsible parties and foster transparency and inter- and intra-institutional collaboration at a time when entities and individuals are feeling their most anxious and vulnerable (Alpert 2011; Austin et al. 2013).

While PM is utilized extensively in such industries as construction, health care, and information technology (IT), it is rarely used systematically in higher education, where PM is often viewed as being "too corporate" (Austin et al. 2013). Consequently, most HEIs have limited on-site expertise implementing large-scale PM. Furthermore, because HEIs are lean, and HEIs considering mergers may be leaner still, there may be insufficient resources to support a robust and expert PM system. In implementing an effective PM system, it will help to develop PM expertise in-house, which will be useful for future endeavors.

Merger leaders should begin as early as possible in the merger process to establish a PM system, and they should do so no later than when the public phase of the merger begins. Such timing is critical to avoid the risks of underestimating the time it takes to execute many of the legal and regulatory processes involved in a merger of HEIs (see also chap. 14). Furthermore, much of the work of the PM functional teams will involve faculty, many of whom may be less accessible during the summer months (Brigdon 2013).

Because an effective PM system rests on a clear vision and set of goals, these should be clearly enunciated and codified *before* the PM process begins, with an expectation that it will be required both pre- and postmerger. It is not an approach to be used only during the formal, finite phase of the transition period merger. Rather, many of the actions required of mergers may take years to complete with prolonged follow-up and monitoring.

Implementing a robust PM system mitigates uncertainty but does not eliminate it. In other industries, many mergers and acquisitions do not de-

Why mergers and acquisitions do not always develop according to plan

- Mergers and acquisitions are complex projects. Their successful implementation requires substantial resources, tact, intuition, and a bit of luck. They are not run-of-the-mill transactions, and therefore those involved may lack the skills for a professional execution of the merger.
- Lean organizations struggle to cope with mergers, as required resources are not allocated in time.
- Management gets involved in the transaction but then withdraws its involvement. As the integration process ceases to be the main focus, its implementation buckles under a lack of stringency and consequence.
- Strongly people-oriented companies—such as colleges and universities—do not follow a rigid plan of integration measures but instead proceed situationally and in many cases even hesitantly.

*Source:* Adapted from Stephan Bergamin and Markus Braun, "Integration Management in Mergers and Acquisitions: Success Factors and Pitfalls," in *Mergers and Acquisitions: Mergers and Acquisitions Integration and Transformation Management as the Gateway to Success* (Cham, Switzerland: Springer, 2018), 1–31, https://doi.org/10.1007/978-3-319-60504-3_1

**Box 15.2 The Components of an Effective Project Management System**

- Guiding principles
- Organizational structure
- Functional areas
- Leadership and staffing
- Process
- Communication strategy

velop according to plan for several reasons that are particularly applicable to mergers of HEIs, including lack of skills, lack of resources, inadequate management support, and a culture that does not value rigor in implementation planning (Bergamin and Braun 2018).

In general, an effective PM system consists of various components, including *guiding principles*, *organizational structure*, *leadership and staffing*, *functional areas*, *process*, and *communication strategy* (see box 15.2). In this chapter, we discuss each of these PM fundamentals as they apply to mergers of HEIs. More general and comprehensive treatments of PM can be found and are readily available (Heagney 2016; Larson and Gray 2017; Project Management Institute 2017).

### Guiding Principles

The implementation of an effective PM system begins with a clear codification of its guiding principles. This includes recognizing the overarching mission, vision, values, and strategic goals, the primary constraints, and the management and decision-making principles that will guide the process.

The mission, vision, value, and strategic goals of the merger serve as the overarching guide to the actions of the PM system and its teams, and these goals should be clearly stated and codified in the charter of the PM system and of each of the PM work groups (see below). Sometimes, essential elements such as "mission," "vision," and "values" are being developed simultaneously with the rest of the integration, creating undue ambiguity in project (merger) implementation.

The primary boundaries or constraints for the project should then be defined, including scope, time, cost, and quality. *Scope* refers to what one is trying achieve. What are the end points, goals, and deliverables? What will and what will not be addressed? And what would the resulting measurables and milestones look like? *Time* refers to the speed of deployment and hard deadlines. What is the schedule, and what are the due dates of deliverables? *Cost* refers to the resources needed for, or cost of, implementing the specific integration initiative. *Quality* refers to the quality of product being sought ("compromise," "best in class," etc.) and how that quality will be judged.

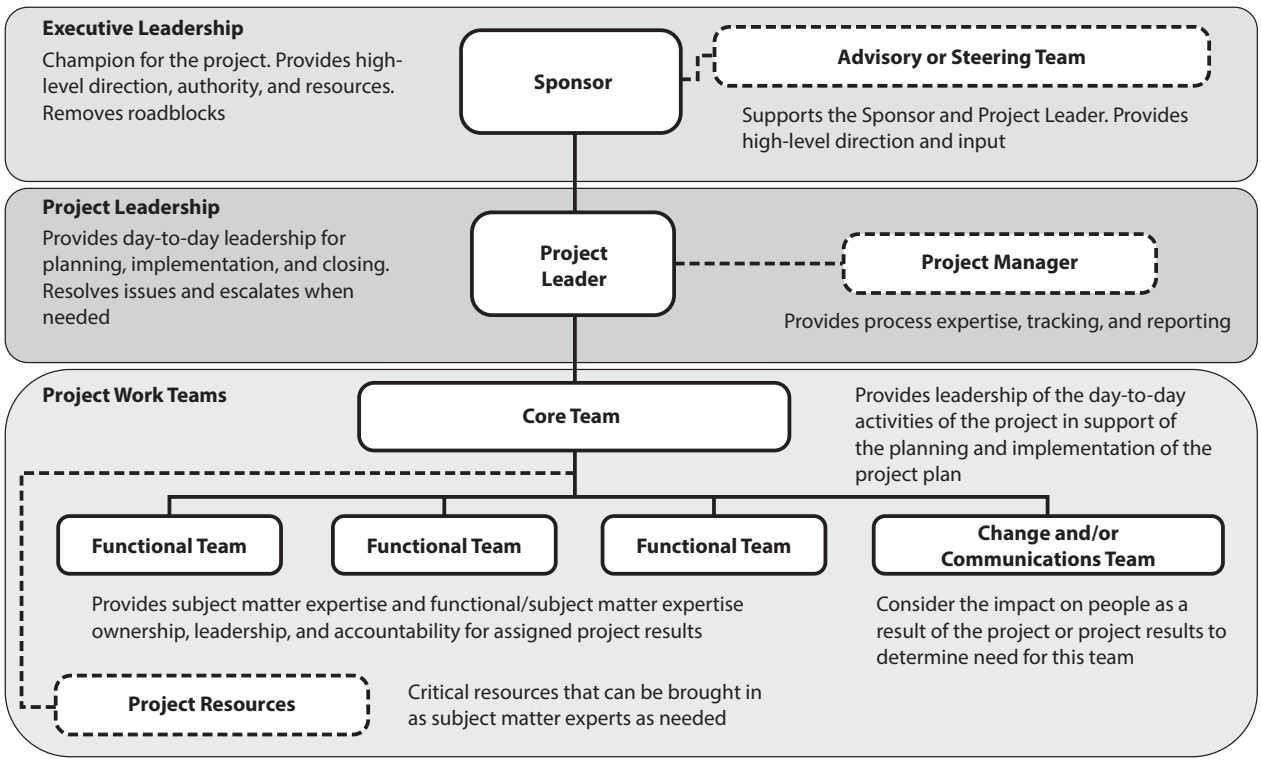
The underlying values and principles of management and decision making during the process should be made clear and codified *in advance*. For example, will the management process be inclusive of all parties at all times, or only when addressing subprojects common to all parties? Will all team members be encouraged, or should they be required, to weigh in on all topics? Will decisions be made by unanimity or by simple majority? When will items be tabled, if at all? How will disagreements be dealt with? What is the chain of command? Who has the final decision-making authority? And so forth.

Finally, the guiding principles should be clear on what key milestones need to happen and when; for example, "We will submit our substantive change application to the regional accreditor by *X date* and should be ready to receive merger approval by the board by *Y date*."

### Organizational Structure, Leadership, and Staffing

The organizational structure of the PM system in a merger of HEIs will vary by institution but generally includes executive leadership, PM leadership, and project functional teams or work groups (Brigdon 2013) (see fig. 15.1).

*Executive leadership.* The executive leaders within a PM system include the principal *sponsors*, which are often the chief executives of the merging institutions. The role of the sponsor includes serving as a champion for the project (i.e., the merger); helping provide high-level direction, authority, and resources; participating actively and visibly throughout the project and change process; building a coalition of sponsorship; and addressing any obstacles or challenges. Sponsors should also communicate *directly* with the broader internal and external stakeholder community, helping to lessen resistance to change (Brigdon 2013).


Executive Leadership
Champion for the project. Provides high-level direction, authority, and resources. Removes roadblocks
Sponsor
Advisory or Steering Team
Supports the Sponsor and Project Leader. Provides high-level direction and input
Project Leadership
Provides day-to-day leadership for planning, implementation, and closing. Resolves issues and escalates when needed
Project Leader
Project Manager
Provides process expertise, tracking, and reporting
Project Work Teams
Core Team
Provides leadership of the day-to-day activities of the project in support of the planning and implementation of the project plan
Functional Team
Functional Team
Functional Team
Change and/or Communications Team
Provides subject matter expertise and functional/subject matter expertise ownership, leadership, and accountability for assigned project results
Consider the impact on people as a result of the project or project results to determine need for this team
Project Resources
Critical resources that can be brought in as subject matter experts as needed

Executive leadership is usually complemented by either an advisory or steering body. An *advisory body* provides just that—advice and counsel to the executive leader(s). This body, to the extent possible, should include leaders and influencers from all merging institutions and a wide variety of stakeholder communities, such as the faculty, students, staff, administration, local community, alumni, and so on. Alternatively, a steering committee, while similarly composed and also providing input to the executive leaders, has a material level of authority in providing high-level direction.

Like all other bodies within the PM system, whether advisory or steering, this body should have a codified *charter* delineating its *mission* (including committee term and duration), *purpose* (including authority, if any), *membership* (including composition, member terms, and duties and responsibilities), and *operating principles* (e.g., reporting relationship, how the chairperson and other officers are chosen, frequency and medium of meetings, and what constitutes a quorum).

*PM leadership.* PM leadership provides day-to-day leadership for the PM process, including initiating planning, executing or implementation, controlling, and closing (see box 15.2), as well as helping to resolve emerging issues, escalating these to executive leadership as needed. PM leadership includes a *project leader*, who may or may not act as the overall project manager, supported by PM staff (Brigdon 2013). The project leader may also act as, or be, the chief transition officer (CTO) (see also chap. 14).

*Project managers* are not just individuals with general managerial experience; they should also be able to establish a vision for a project and lead the project team in realizing that vision. A project manager must be able to engage the entire team and lead them *to want to* meet the stated objectives within the constraints of scope, time, cost, and quality. Project managers are responsible for orchestrating all aspects of a project and for working within the predetermined constraints to ensure its successful completion (Alpert 2011; Heagney 2016). The two most important attributes of a project man-

**Figure 15.1, *opposite*.** High-level organizational plan for a project management system or office during a merger of HEIs. *Source*: Adapted from Beth Brigdon, "Controlling for Change: A Consolidation Case Study," Georgia Conference for College and University Auditors, May 20, 2013, https://pdfs.semanticscholar.org/presentation/8456/bc54a3a07e2431421c97ed075c24e1972844.pdf

ager are people skills and organizational expertise. As the Project Management Institute (2018b) reminds us:

> Project managers are change agents: they make project goals their own and use their skills and expertise to inspire a sense of shared purpose within the project team. They enjoy the organized adrenaline of new challenges and the responsibility of driving business results. They work well under pressure and are comfortable with change and complexity in dynamic environments. They can shift readily between the "big picture" and the small-but-crucial details, knowing when to concentrate on each. Project managers cultivate the people skills needed to develop trust and communication among all of a project's stakeholders: its sponsors, those who will make use of the project's results, those who command the resources needed, and the project team members. They have a broad and flexible toolkit of techniques, resolving complex, interdependent activities into tasks and sub-tasks that are documented, monitored and controlled.

Strong project managers are invaluable, and institutions that do not recognize this run significant risk. In many PM processes, subject matter experts may find themselves taking on dual roles as both a project manager and a team resource, what some researchers define as the "Working Project Manager" trap (Heagney 2016). This often will result in suboptimal PM results (Austin et al. 2013).

*Project or functional work groups or teams.* PM work groups are assigned to address one or more of the identified functional areas (see below) and will be responsible for providing subject matter expertise, functional ownership, and accountability for the assigned functional area(s) results (Brigdon 2013). Functional teams are also responsible for obtaining input and external assessments, resolving issues, and escalating issues to higher leadership when needed. Functional teams report directly to the project leader or, more commonly, to a *core functional team*. Depending on the complexity of the merger, the number of work groups and related subteams may range from only twenty to over sixty. The core functional team provides day-to-day leadership for the planning and implementation of the overall project (i.e., the institutional integration) as well as oversight for the activities of the functional teams, including receiving recommendations from the work teams and making recommendations to the sponsors.

When crafting the organizational structure and selecting individuals to serve on the PM system, merger leaders should consider several issues. First,

successful PM requires that involved individuals be trained and skilled in the approach, techniques, and tools of PM, including project organization, charge, overall time line, use of report templates, and meeting and communication guidelines (Brigdon 2013).

Second, PM work teams often include people who do not and have not worked together before. Consequently, merger work teams should be constructed to balance the interests of all parties, striving to be as inclusive as possible.

Third, it will be important to clarify the duties and expectations of these groups and their members. How much time will those involved be expected to dedicate to the effort? And what relief from current responsibilities, if any, will these individuals receive?

Membership in the functional teams should include individuals who are not only subject matter experts but who will also be responsible for the subsequent implementation (Heagney 2016). The PM process should deliberately involve individuals who are considered internal "promoters" and "influencers" (Bergamin and Braun 2018).

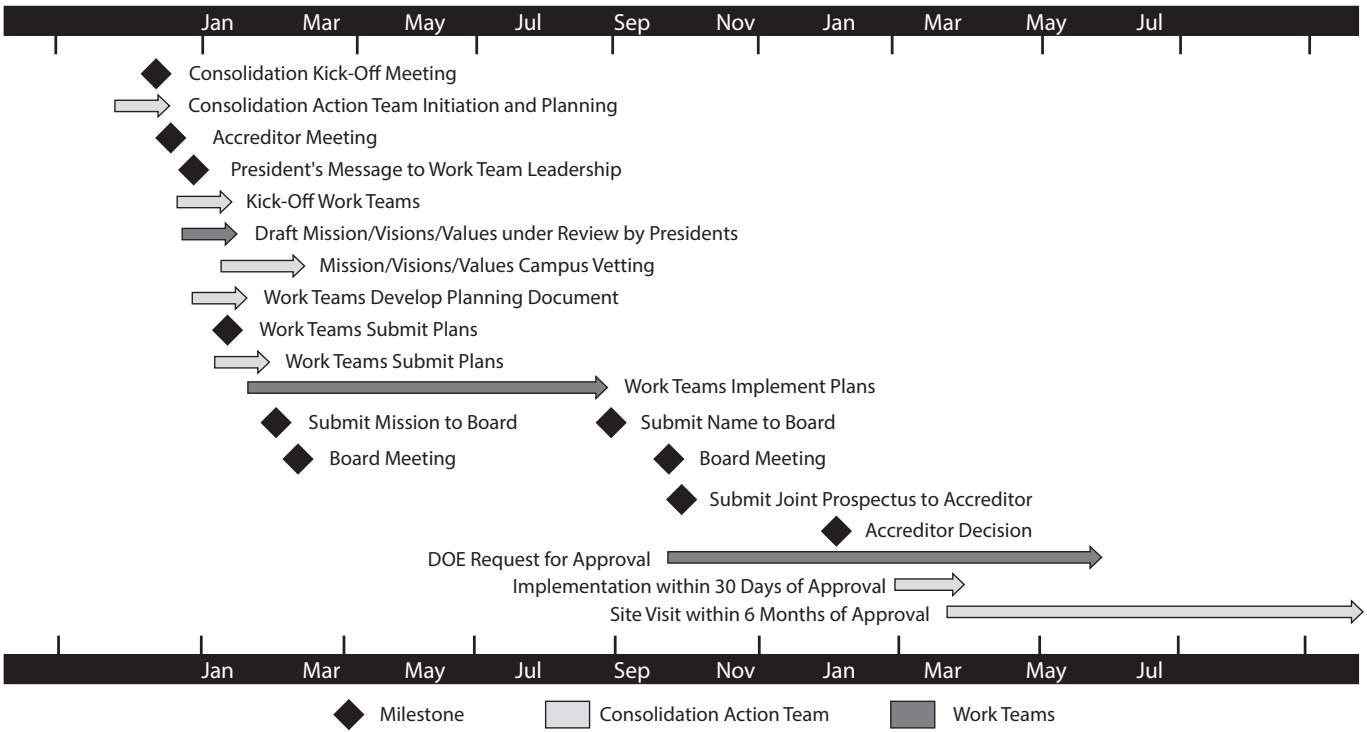
### Functional Areas

In appointing functional work teams or work groups, cataloguing and sequencing the functional areas to be addressed must be as clear and as codified as possible. Prioritization of functional areas and tasks is essential. For example, some regulatory and credentialing steps, IT system consolidations, and faculty and university policies must be completed prior to the merger. It will be helpful to define the critical path to merger approval as early as possible. There will be many policies that need to be developed, approved, and codified, but only a few may need to be completed before the merger is affected.

Functional teams or work groups can be organized around the various HEI functional areas, including academic affairs, faculty affairs, student affairs, athletics, research, administrative services, IT, advancement, alumni, branding, traditions, and so on (see Appendix B for illustrative functional areas).

Because of the enormity of the work that needs to be carried out, leadership should avoid *simultaneously* introducing initiatives that are neither essential nor part of the merger process (e.g., introducing new student success programs or creating new cross-disciplinary programs). Leadership should reserve such initiatives for after the merger is completed.

One of the great values of a merger and the associated integration pro-


Jan
Mar
May
Jul
Sep
Nov
Jan
Mar
May
Jul
Consolidation Kick-Off Meeting
Consolidation Action Team Initiation and Planning
Accreditor Meeting
President's Message to Work Team Leadership
Kick-Off Work Teams
Draft Mission/Visions/Values under Review by Presidents
Mission/Visions/Values Campus Vetting
Work Teams Develop Planning Document
Work Teams Submit Plans
Work Teams Submit Plans
Work Teams Implement Plans
Submit Mission to Board
Submit Name to Board
Board Meeting
Board Meeting
Submit Joint Prospectus to Accreditor
Accreditor Decision
DOE Request for Approval
Implementation within 30 Days of Approval
Site Visit within 6 Months of Approval
Jan
Mar
May
Jul
Sep
Nov
Jan
Mar
May
Jul
Milestone
Consolidation Action Team
Work Teams

cess is that the merger provides a unique opportunity to carefully examine and evaluate the vast majority of policies and procedures being used in the institution. In assessing their functional areas, teams should strive to examine external experience and standards and, to the extent possible, construct policies and procedures that are *best in class*, not just a melding or compromise of legacy processes.

### Process

The PM process describes equally individual functional work teams and management of the entire merger process. Functional work teams should be sufficiently large to address the goals established in its charter but not so large as to be unwieldy, generally a work team of between seven and fifteen individuals. Many members of the merging HEI communities will likely have to serve on more than one functional team. While functional teams may have overlapping membership, they should not have overlapping mandates or goals.

The guiding principles for the PM process—like mission, vision, and values—should be set before the full integration and PM process begins (although not necessarily before the PM organization is established). Guiding principles must be stated clearly, unambiguously, and in writing, accessible to all members of the PM system.

The work of functional teams must recognize not only the guiding principles, constraints, deliverables, and major milestones, but also exactly what services are offered and who are the customers (internal and external) being served. They should also attempt to identify what they can learn from the experiences of others, both in in higher education and in other industries. Appendix C depicts a number of example standardized forms useful for PM during a merger of HEIs.

Projects are controlled along their constraints, including scope, time, cost, and quality. *Scope* is controlled on the basis of the stated goals and deliverables of the project. *Time* is monitored using a program plan, such as a Gantt chart (see fig. 15.2), and will be determined based on the overarch-

**Figure 15.2, *opposite*.** Gantt chart of necessary activities leading up to and beyond the merger of two HEIs, devised and maintained by the project management team. *Source*: Adapted from Beth Brigdon, "Controlling for Change: A Consolidation Case Study," Georgia Conference for College and University Auditors, May 20, 2013, https://pdfs.semanticscholar.org/presentation/8456/bc54a3a07e2431421c97ed075c24e1972844.pdf

ing schedule of the merger. Time management is not just about scheduling; it is about developing a shared understanding of what needs to be accomplished, both sequentially and in parallel (Heagney 2016). In addition, work teams must identify clear milestones or major deliverables along the path to completion or closure. These, in turn, will help set the time line for lesser deliverables.

*Cost*, or the resources needed to implement the specific project, such as integrating administrative units or combining athletic programs, is estimated and then monitored during execution with the assistance of finance staff embedded in the functional work groups. *Quality* is monitored on the basis of a set of preestablished metrics and standards. In many cases, quality primarily refers to degree of completion of the project necessary for review and acceptance. But other quality metrics can be identified to assess the success of the integration initiative moving forward. Assessment of these constraints is carried out by the functional team itself, with external verification and monitoring by the PM leadership team and staff.

The PM process must be sufficiently resourced and staffed. Resources may include data and analytics capabilities along with administrative support services (e.g., document retrieval and copying, minute taking, and team scheduling). Most important, in order for the PM system to operate optimally, is the availability of dedicated and expert staff.

In a merger, where a sense of great uncertainty is always present, it is best to leverage structured processes and defined roles (Brigdon 2013). A clear organizational structure for the PM process—accompanied by team charters, uniform training, and consistent tools and templates, all of which are codified and shared—will go a long way toward ameliorating uncertainty and distrust. Finally, decision making and conflict resolution are integral parts of the PM process. The decision-making chain of command should be clearly established (see fig. 15.3).

### Communication Strategy

A clear and systematic internal and external communication strategy during the integration process is vital, including defining which unit acts as the central node for communications (see also chap. 11). In general, the project leader and team are responsible for overall messaging. Regarding communication with and among functional groups, the core functional team is the body best positioned to manage these and to decide what needs

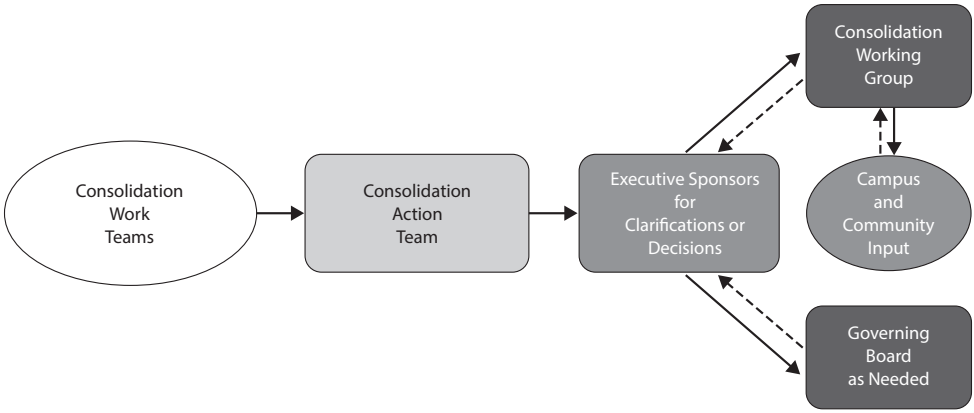



**Figure 15.3.** Clarity and process around decision making and conflict resolution are integral parts of the project management system during a merger of HEIs, and the decision-making chain of command should be established a priori, as depicted in the example, by the project management team.
*Source*: Adapted from Beth Brigdon, "Controlling for Change: A Consolidation Case Study," Georgia Conference for College and University Auditors, May 20, 2013, https://pdfs.semanticscholar.org/presentation/8456/bc54a3a07e2431421c97ed075c24e1972844.pdf

to be escalated to the project leader or executive leadership, as appropriate. To help develop and implement a more detailed communications plan, it may be useful to first conduct a stakeholder analysis.

To promote greater transparency and interteam learning, it is best if the documentation of all teams (e.g., project charter, team charge, team planning report, team status report, team agendas, and action minutes) be readily accessible to all teams and possibly to the entire the university community. Consequently, developing a PM or "integration" website may be useful. While doing so may open up PM and functional team members to criticism by individuals external to the PM system, it is simply the price that must be paid for the sake of transparency. As documents are developed for placement on the integration website, team members should understand that their narratives and responses will be available to all. For example, it is best to generate and use concise and focused "Action Minutes," rather than extended minute-by-minute narratives (see Appendix C for an example). It is less important who said what than documenting what the group decided as an action item or next step.

Access to the integration website is one avenue for this communication.

**The 5 C's of Effective Communication**

| | | |
|---|---|---|
| **C**lear | **C**onsistent | **C**omprehensive |
| **C**oncise | **C**ompelling | |

A second is to deliberately schedule regular campus and even community-wide updates, featuring project leads and executive leadership. Project leaders should also ensure that the functional work teams are communicating with their respective organizations and constituents, both gathering input and imparting information (Brigdon 2013). It may be helpful to provide a mechanism for submitting and answering questions from the university community.

During the integration process, speed of communication and response is essential. The PM leads need to ensure that there are systems in place to allow for active listening and for rapid response. It is also essential that early wins and successes, including those individuals responsible, be thoroughly recognized and celebrated. In fact, it may be useful to craft as a separate PM project the management of expected "early" wins and successes, and to devise ways to celebrate and commemorate them. Communication and messaging should follow the "5 *C*'s" (i.e., communication should be *c*lear, *c*oncise, *c*onsistent, *c*ompelling, and *c*omprehensive), remembering that in the midst of a merger it is virtually impossible to overcommunicate.

### Final Thoughts

Devising a PM system, combining clear priorities with milestones and responsibilities, creates transparency in an inherently complex and anxiety-provoking process (Bergamin and Braun 2018) and provides an important opportunity to examine and potentially improve *all* procedures and processes. Leaders should recognize that change is not only about processes, procedures, and technology, but it is also mostly about people, and they should make a deliberate effort to embed interpersonal and people management concepts into the PM tools, processes, and training (Brigdon 2013).

Effective PM systems cost. If PM expertise is not available on-site, as it often is not within HEIs, the merging institutions may need to hire external assistance. There may also need to be supplemental IT, data, and analytics

support, and leaders and PM team members should be prepared for the unexpected. Things *will* go wrong. Inaccurate communication may be sent, team members and leads may leave the institution, rules may change, names may change, and so on. The PM system should be robust and deep enough to accommodate these expected disruptions. In chapter 16 we begin to address the image that the merged HEI wants to project . . . through strategic proactive branding.

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# 16
# Creating and Managing the Brand
## Who Do You Want to Be?

By the time I arrived it was late, close to midnight. Walking out of baggage claim into the warm moist air, I hailed a cab, painted in a variegated design that looked like a cross between a zebra and a leopard. I was in Richmond as part of the regional accreditor's site visit team for Virginia Commonwealth University (VCU). The cab driver, a friendly older man with scraggly, long gray hair and similar mustachio, wearing what appeared to be a Lenin cap, was in a talkative mood. Taking the opportunity, I asked about the university and how he thought it was doing. "Well," he said. After a pause, he added, "But there is still trouble with the name." Name? What name? "Well, lots of folks think it should be called the Medical College of Virginia. At least the medical side does." And after another pause, he added, "Yep, folks are still talking about it." Really? He had been a student at the Richmond Professional Institute, before its merger with the Medical College of Virginia created VCU. And regardless of how the university was doing today, there were still alumni and people in the community who were upset about the union. In fact, in the 2012 Virginia legislative session, a bill had been introduced to require that "Medical College of Virginia" be used in all references to the health sciences side of VCU, although it had not been moved forward for consideration. "Yep, folks are still upset," repeated the cab driver. Arriving at the hotel, I stepped out of the cab into the warm night. Turning to the driver, I gently reminded him that the merger that he was referring

to had occurred over forty-five years earlier. In 1968 to be exact. "Really!?" he said, with conspicuous surprise and raised eyebrows, adding in sotto voce, "How times flies." And I thought to myself, walking into the hotel lobby, *Not really . . .*

■ ■ ■

For merging institutions, it is common for some students, faculty, staff, and alumni to experience a sense of loss of identity and uncertainty about the future. Colleges and universities take great pride in their traditions and heritage, and the creation of a new identity must be approached with care, to honor the past while building upon the opportunity the future holds (see chap. 17 for further on managing campus culture postmerger). This chapter examines some of the strategies for developing and articulating a new brand. Communicating well and often during a merger process will pay benefits toward the successful creation and management of a new brand and identity (see also chaps. 8, 10, and 11 for more on managing communication during the exploration, negotiation, and the merger periods, respectively).

The fact that merging or merged institutions may be instituting a new brand, sometimes with stakeholders kicking and screaming along the way, is difficult in and of itself. Added to that, however, is public scrutiny surrounding the cost and benefits of higher education, the prevalence of ad hoc social media messaging, and increased expectations for immediate responses. In most cases, leadership would be wise to place branding, messaging, and media relations among the more urgent issues to stress throughout the merger process.

### Brand Development

What comprises a "brand"? While many think instantly of logos and colors, those are really just graphic details of an organization's brand. A brand is the essence or core of an institution's identity—its personality, its key differentiators, its promise of what it will deliver, or, in the case of universities, what students will experience. Given the tight time frame for some mergers, institutions may find that certain work, like logo development, is conducted first, and then the substantive work of brand development is tackled in the postmerger stage.

**Box 16.1 Typical Higher Education Marketing Goals**

- Broader alumni participation
- Deeper donor commitment
- Expanded continuing-education enrollment
- More MBA students
- More PhD students
- Better internal communication
- Higher attendance at events—athletics, fine arts, lectures

*Source:* Larry. D. Lauer, *Competing for Students, Money, and Reputation: Marketing the Academy in the 21st Century* (New York: Council for Advancement and Support of Education, 2002)

The groundwork for brand development often begins with the strategic planning process, which commences soon after the merger becomes official and the institution is moving forward as a single entity. This involvement provides the opportunity to break down the "Us vs. Them" emotional barriers, and to begin the important process of unification around mission, vision, and values.

Many institutions are concerned about market competitiveness, including attracting more students, increasing external funding, or increasing national visibility. While all these goals are worthy endeavors, they may be at odds when establishing branding priorities, especially when HEIs are merging. When branding a newly merged institution, leadership must be clear about the message it wishes to convey through its branding.

Box 16.1 denotes the most typical higher education marketing goals (Lauer 2002). But branding should go beyond these goals and be all-encompassing. Generally speaking, schools need to do three things flawlessly to stand out: (1) figure out who they are today and what they want to be in the future; (2) discover and cultivate the truly unique characteristics that can help them reach these goals; and (3) find the most efficient, consistently meaningful methods to communicate these differences to each audience at every opportunity (160over90, 2012). Developing or refining an institutional brand is a multiphase process that begins with a brand audit and continues with the development of the brand platform, development of brand creative (the look and feel of the brand), brand planning, and launch, and ends with brand integration.

**Three Steps to Flawless HEI Branding**

- Figure out who they are today and what they want to be in the future.
- Discover and cultivate the truly unique characteristics that can help them reach these goals.
- Find the most efficient, consistently meaningful methods to communicate these differences to each audience at every opportunity

*Source:* 160over90, *Three and a Tree: How to Take Down Bad University Marketing One Cliché at a Time* (Philadelphia: 160over90, 2012)

*Brand audit.* Through the brand audit, all cultural and operational dimensions of the institution are explored, including how they are expressed internally and externally. Elements that must be thoroughly examined include mission, stated institutional values, the faculty profile, student demographics, signature academic and student life programs, the student experience, the physical environments of campuses and their surrounding communities, campus traditions, athletics, and academic and operational calendars.

In addition to a wide range of interviews with students, faculty, and administrators to learn about the issues, strengths, programs, and campuses, a brand audit includes a comprehensive review of printed and digital marketing materials, institutional publications, and campus facilities and communities. The brand audit should reveal common ground to inform the new institutional identity, and the findings should then be evaluated against

**The Multiphase Process of Developing an Institutional Brand**

- Brand audit
- Development of brand platform and brand "promise"
- Development of brand creative
- Brand planning and launch
- Brand integration

comparator or aspirational institutions to determine where distinctive positioning opportunities exist.

*Brand platform.* The aim of the brand platform is to help the institution articulate its identity and tell its story. The brand platform comprises the key messages and descriptors for the university that serve as the framework for how the institution describes itself and strengthens its brand among priority audiences. Often, consultants and staff first conduct campus-based workshops to identify the message topics and themes. From that stage, they develop an online survey to test the messages. The survey may target samples of current students, recent graduates, faculty, alumni, staff, and external stakeholders from all campuses to ask about the perceived strengths of the HEI. This will also serve to test the messages for distinctiveness, relevance, and representation.

If the mission statement is already in place, the key messages and brand platform must be compatible with it. The new brand must substantiate how the institution is living out its mission and vision with targeted messaging and compelling storylines. The centerpiece of the brand platform is the "brand promise"—what the institution stands for and how it accomplishes its goals. In other words, "this is what we believe, and this is how we work."

*Brand creative.* Brand creative refers to the creative innovations we utilize to achieve the best results. While it is important to have wide buy-in for the brand creative, it also can be derailed easily by personal preferences and aesthetics. The brand creative should embody who the institution is, who it aspires to be, and what matters to its audiences. The brand creative, including the institutional logo and marks, must be developed with a variety of end needs in mind, including publications, print and digital advertisements, websites, environmental graphics for lobby areas or campus banners, and merchandise. It will also be important for leadership to approve guidelines and regulations surrounding the use of the logo and other brand items.

*Brand planning and launch.* There are countless ways to execute the brand, depending on market needs and resources. For a merging institution, the most important initial steps are name and brand awareness. When launching the new institutional name or brand, HEIs may want to consider public events, sign unveilings, merchandise swaps, new banners, and more. In more

urban media markets, this can require an extensive advertising campaign, whereas in rural or suburban areas, advertising opportunities may be limited, requiring a high-touch personal approach with more community outreach.

*Brand integration.* Brand integration occurs over time, and it must be prioritized and resourced with personnel and funding allocations. For maximum effectiveness, all communications should consistently reflect the new brand in look and feel, but also in voice, tone, and message. This is a vast undertaking that requires top-level support and coordination from the communications and marketing staff with buy-in from other institutional units. Because it is likely that academic and administrative departments may still be adjusting to the demands of a larger institution and functioning across multiple campuses, it may be helpful to consider centralizing certain communications functions, such as website editing. It is also helpful for the communications office to develop templates and tools that help personnel in other departments integrate the brand and identity elements into their own work.

In essence, the importance of branding during the merger process cannot be overstated, and the complexity of rebranding what had been separate institutions is difficult. The new brand must be authentic, forward thinking, and a reflection of the newly adopted mission, vision, values, and strategic plan. Box 16.2 highlights some of the important do's and don'ts of rebranding (Klein 2015).

### What's in a Name?

The name of an institution generally carries with it much more than a simple moniker. It is deeply embedded in the loyalties and psyche of faculty, staff, and students; the excitement of athletic teams; the memories of alumni; the recognition by the community; and the traditions that have been built over time, not to mention the significant investment in all forms of signage. Thus, regardless of what type of merger is being considered, it is easier to preserve one of the existing names of the merging institutions than to create a new name.

There may be reasons for choosing a new name for the institution, however. These may include the fact that the prior names had little brand recognition or even negative connotations, that choosing one of the legacy names would immediately set up confrontation between opposing factions of the

### Box 16.2 Top Rebranding Do's and Don'ts

1. **Do** reimage more than your logo.
   **Don't** think that a simple logo and message will be enough to change internal or external perceptions.
2. **Do** gain support from the chief executive officer and executive leadership.
   **Don't** silo the rebrand as a "marketing function." It must be more than that.
3. **Do** gather a wide range of internal as well as external insights.
   **Don't** forget to engage internal constituents. Successful rebranding first takes root internally.
4. **Do** keep it real with a brand that is reflective of your purpose and what truly makes you unique.
   **Don't** build a brand that is not authentic, even if it is what the market wants.
5. **Do** bring in all key stakeholders.
   **Don't** build your strategy in a silo.
6. **Do** leverage rebranding to drive broader change.
   **Don't** limit the opportunity by rebranding it a marketing project.
7. **Do** overcommunicate.
   **Don't** present once or twice and expect your strategy to stick.
8. **Do** keep branding aligned with your policies, operations, and the like.
   **Don't** present a brand that your institution cannot, or will not, back up.
9. **Do** make sure your people can deliver.
   **Don't** launch until key employees understand it.
10. **Do** be sure any agency you employ understands your institution.
    **Don't** hire a firm that does not have broad strategy experience.

*Source:* Adapted from Rachel Klein, "Ten Rebranding Do's and Don'ts," Brand Quarterly, July 24, 2015, http://www.brandquarterly.com/ten-rebranding-dos-and-donts

**Box 16.3 Considerations When Choosing a New Name for the Merged HEI**

- Efforts should be made to preserve the legacy names of the merging HEIs in some tangible manner
- Selection of the name should occur through a transparent process, directed by a neutral party and engaging as many of the merging HEIs' communities as possible
- An appointed ad hoc body with a broad and balanced representation should produce *one* acceptable name, and their decision is final, albeit likely subject to the governing body's approval
- Campus leadership, particularly the chief executive, should remain as marginal to the process as possible

merging HEIs, or that the merged HEI wants to broadcast a broader or different vision and appeal. If the institution is considering a new and different name, a few issues should be kept in mind (see box 16.3).

### Merging Divergent Cultures to Create a New Brand Identity

Even when seemingly similar institutions are merging, institutional leaders should always keep in mind the nuances of cultural differences among the people involved, which are manifested in terminology, communication systems, tools, events, and traditions (see also chap. 17). The challenges of creating the new brand identity include the time frame and intensity of the merger process. Because the communication tasks and needs associated with the merger can be overwhelming for a small HEI communications team, consultants can be a valuable resource at certain stages of the process. In collaboration with the institution's communications team, experienced consultants can provide an objective perspective that helps connect critical identity elements of the merging HEIs.

Effective communications during a merger, and development of a new brand, must be managed well and with intentionality at all levels to ensure success. Visible, thoughtful leadership is necessary to listen, build trust, and develop consensus—although not necessarily unanimity—to lead the institution through such a momentous undertaking.

One large urban public university conducted field research during which

it named, anonymously, the salient strengths of their institution and then asked the participants to tell them the name of the institution they were describing. Overwhelmingly, the participants named an elite private institution in their area. This research became the basis for a rebranding effort whereby they revamped recruitment materials, media push-outs, and talking points to change the perception of their university. Knowing that faculty, staff, and alumni are among their greatest storytellers, the marketing and communications department developed the "10 best narratives" about their institution and circulated them widely. As a result, admissions applications increased, media coverage improved, alumni support increased, and peer evaluations improved. This spirit of research, retooling, and distribution is all the more important during a merger process.

### What Can Go Wrong?

During mergers, even the best intentions can derail successful outcomes. Some potential errors related to developing and launching a new institutional identity include:

- ignoring the human factor—mergers represent a loss of identity for all parties;
- insufficient proactive engagement with alumni and the local community in the naming of the institution or other significant unit;
- incongruence between the brand and the institution's identity, vision, and goals, thus creating an image that does not appear relevant and authentic;
- poor relationships with local media; and
- brand and visual identity standards that do not meet institutional needs.

Importantly, leaders should try to engage as many relevant constituents in the process of brand creation, leveraging it as a tool to foster campus engagement and a sense of control, rather than simply as a means of creating a brand for a "better" future that few of the institution's constituents can visualize clearly. Furthermore, merger leaders should remain as visibly agnostic as is possible, since no matter what name or brand is chosen, many people will be unhappy with the new brand. It is best for the chief executive and the executive team to be seen as remaining impartial and not directly involved in the naming/branding process.

## Final Thoughts

Branding must resonate with an HEI's recruitment pool, its stakeholders, and the communities around it. Invariably, there will be some angst, anger, and confusion surrounding the merger, and managing the brand is the most advantageous way to diffuse negative responses. Alumni will want to know that their institution is well and in good hands. Students will want to know that their degree and diplomas will matter and be of value. Faculty and staff will want to know that they will be working in a place where their opinions count, that they are valued, and that their work matters. Communities will want to know that the institution is more stable after the merger. The governing board will want to know that critical issues are handled efficiently and professionally. Each of these constituencies will look to the messaging surrounding the branding exercise for answers to these questions. In chapter 17 we discuss managing the cultural aftermath of merging HEIs.

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# 17
# Aftermath
## As Much a Beginning as an End

Closure of a merger, similar to a university's commencement exercise, marks the beginning, not the end, of a long journey. It is a journey that is more about people, emotions, and commitment, and much less about buildings and spreadsheets. As one of the merger leaders we interviewed stated, "Difficulty is not the mechanics. Difficulty is with the human side of the consolidation." Mergers in the corporate world have notoriously failed to deliver against expectations. This dismal assessment results from a failure to lead the people of the merged institution to a position of alignment (Abrams and Phillips 2018). This seems true despite detailed planning, the creation of extensive integrated tactical maps, careful due diligence, and skillful negotiations. Consequently, once a merger is complete, the long journey of building culture begins (Jong and Krenkel 2013).

Once the merger is approved, the postmerger era is a new beginning that ushers in feelings of accomplishment and completeness—and much more work still to be done. During the postmerger period, new issues and unanticipated concerns may be lurking, many related to cultural assimilation on campus. The adage that "culture trumps strategy" suggests that an institution's culture is more deeply rooted, and therefore more intransigent, than its strategic plan.

Positively, a merger prompts, or at least contributes to, a sense of institutional renewal. A renaissance, as may be precipitated by a merger, can create a burst of institutional energy and excitement, which if harnessed effectively can move the institution forward in a quantum leap (Harman and Harman 2008). Cultivating a new culture requires engaging stakeholders, conflating previous cultures into a new one, honoring the past while

embracing the future, and articulating a forward looking vision. Umbeck and Bron (2017) stress the importance of change management within the merger transition (see fig. 17.1), starting with a small team that then cascades throughout the organization.

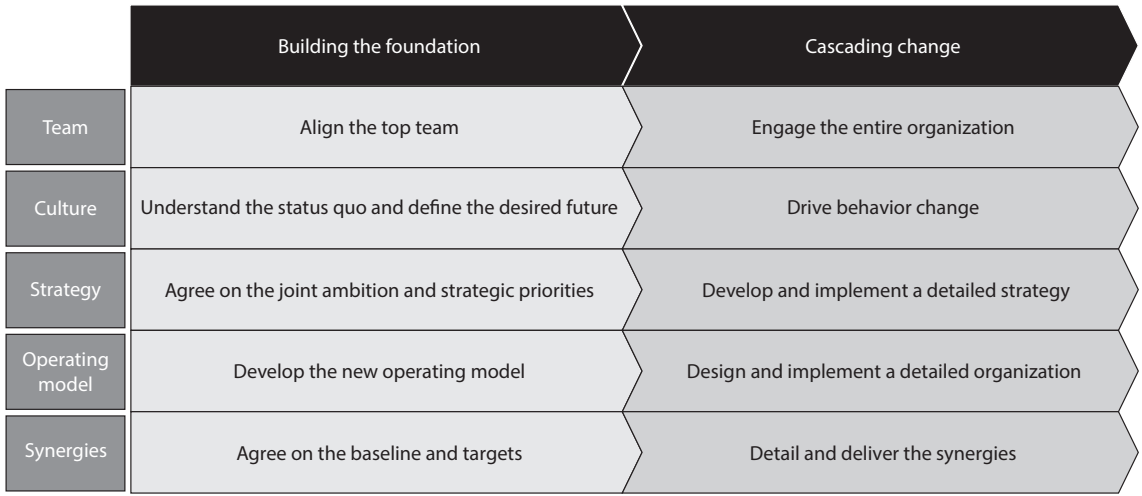
### The Institutional Culture Postmerger

The postmerger period is difficult in that the merger decision immediately and emphatically becomes absolute. Despite careful planning, the new normal is often defined by disruption and a measure of chaos. Faculty may have anticipated a merger, but with the newly merged institution, the realities of organizational structure may appear sudden and unnatural. Reporting structures may be different, course assignments and even faculty teaching loads may change, and promotion and tenure guidelines will likely be amended. It is an undoing of the comforts of a culture that evolved over many years, replacing it with an atmosphere of uncertainty and perhaps a perceived loss of control.

Leadership is the key component for changing a culture, but leaders must first understand their own culture and what they need to do to negotiate a change. Schein (2004) notes that culture and leadership are "two sides of the same coin." Leadership first affects culture through the assignment of groups and organizations, and then it determines leadership roles in the organization based on assigned criteria. Thus the management of culture is one of the most important things that leaders do.

A merger will often create a clash of cultures, in some ways subtle and in others quite dramatic. Regardless, the institution postmerger faces cultural differences and questions about how to make decisions in the face of cultural differences. Mergers often require new decisions regarding core curriculum, the enrollment management plan, admission standards, promotion and tenure guidelines, the emphasis on graduate versus undergraduate student programs, budget priorities, the emphasis on serving high-achieving students or high-risk students, the roles of faculty senate and staff council, and even the number and type of academic colleges.

The postmerger period is difficult in that the merger decision immediately and emphatically becomes *absolute*.


Building the foundation
Cascading change
Team
Align the top team
Engage the entire organization
Culture
Understand the status quo and define the desired future
Drive behavior change
Strategy
Agree on the joint ambition and strategic priorities
Develop and implement a detailed strategy
Operating model
Develop the new operating model
Design and implement a detailed organization
Synergies
Agree on the baseline and targets
Detail and deliver the synergies

It is not surprising, then, that so many clashes occur postmerger and that the pain of these clashes may be more intense and even more emotional than those that occurred during the merger process. Pierce (2017, p. 196) reminds us that "leadership and planning teams need to recognize the genuine emotional impact their deliberations can have on the faculty, staff, students, alumni, and local community. In particular, they will need to remain mindful of the consequences for those employees who could lose their jobs, and a local community that could lose a long-standing, cherished institution."

### Checking the Cultural Temperature

The term "culture" in itself embraces an institution's beliefs, core values, collective behaviors, and social norms. While culture cannot be manufactured, it can be affected through the empowerment of common dialogue, the expectation of civility and mutual respect, and open communication that embraces the opportunity to influence change. Campus culture is the domain of students, faculty, and staff, but there are also cultures unique to alumni, philanthropic groups, governing boards, local and regional communities, international relationships, and even subgroups within the stakeholders of each campus.

Postmerger leadership will learn much by listening to these groups as they share their insights in small groups, town hall meetings, informal conversations, focus groups, and other venues. Civic organizations, student groups, faculty senates, staff councils, academic and staff departmental meetings, and alumni groups are rich opportunities for learning about any clash of cultures resulting from the merger. While leadership must avoid the temptation to be all things to all groups, they must also have their collective finger on the pulse of those stakeholders who may influence the future success of the merged institution. Transparency and a "listening ear" are critical at this juncture, so much so that to do otherwise could signal an upcoming crisis of leadership that will be difficult to contain.

**Figure 17.1, *opposite*.** Merger integration requires establishing a foundation and cascading change in five critical areas: team, culture, strategy, operating model, and synergies. *Source*: Tobias Umbeck and Adrien Bron, "Bain Brief: Change Management in Merger Integration," Bain and Company, June 14, 2017, http://www.bain.com/publications/articles/change-management-in-merger-integration.aspx

### Understanding Faculty and Staff Job-Related Stress in a Merger

Employee reactions to mergers are shaped by their assessment of how the proposed merger will affect not only the organization, but also themselves as individuals. The most common employee reaction to a merger is increased levels of job-related stress (Staufenbiel and König 2010; Amroliwalla and Ruikar 2015; Sung et al. 2017). Job-related stress has been associated with increased absenteeism and elevated individual blood pressures, with reductions in general and emotional health (de Jong et al. 2016), increased employee withdrawal behaviors (Yi and Wang 2014), workplace violence (Roh and Yoo 2012), lowered job performance (Jones et al. 1988), and an employee's inability to adapt to change (Terry, Callan, and Sartori 1996). In the academic setting, stress has been linked to lower faculty performance, including decreased research productivity (Gillespie et al. 2001; Jacobs et al. 2007; Moeller and Chung-Yan 2013).

Mergers produce stress in a number of ways. First, mergers introduce uncertainty into employees' lives—about future employment, performance expectations, and even everyday work practices. The most obvious impact a merger can have on employees is increased job insecurity. But even when individual employees are confident of retaining their jobs during a merger, management's expectations of employees often shift or become unclear, leaving employees confused about the nature of their responsibilities (Benton and Austin 2010; Staufenbiel and König 2010; Amroliwalla and Ruikar 2015). This lack of clarity is a key component to job-related stress (Kahn et al. 1964; Frew and Bruning 1987) and a predictor of employee turnover (Sung et al. 2017). For example, when a teaching-oriented HEI is merged with a research-oriented HEI, faculty in the teaching-oriented HEI may become confused about the institution's expectations or see those expectations shift in a way that values research productivity more than teaching ability, contributing to increased stress levels (Ribando, Slade, and Fortner 2017).

Second, mergers of HEIs may increase the workload expected of some employees. This increased workload and associated time demands can create conflict between the role as employee and as a family member. Such conflict has been suggested as an explanation for the lower publication rates of female faculty (Sax et al. 2002; Aiston and Jung 2015), and it can con-

tribute to the ongoing tension between family and a faculty member's role as teacher and as researcher (Hendel and Horn 2008).

Third, merger-associated stress is affected by the sense of "controllability" an employee has, that is, employees' sense that they have some control over or input into the changes happening in their work environment. Employees who believe they have little or no control, as is common in mergers, experience high levels of job-related stress (Terry, Callan, and Sartori 1996). In a study involving a university campus relocation, Sverdlik and Oreg (2015) found that organizational change where employees were involved or where change was voluntary produced significantly less anxiety than when change was imposed. A similar study in Swiss public hospitals (Giauque 2015) concluded that employee participation in decision making lowered job-related stress and produced more positive attitudes toward change.

### The Impact of the Power Gradient between Institutions on Cultural Assimilation

We have frequently used the phrase "a merger of equals." The truth is, however, that a significant power gradient almost invariably exists between the institutions contemplating a merger. This power gradient may derive from fiscal strength, institutional size, and breadth, or from a host of other factors, including endowment size or alumni prominence. If not obvious, clues to the direction of the power gradient between merging HEIs can be found in postmerger board structures and in chief executive succession. Other symbols may include the survival of a name or brand.

Merger leaders must give attention early and decisively to the erasure of visible signs of a power gradient. Specific symbolic and real actions must be taken to elevate the leaders of the less powerful component to positions of parity within the acquiring organization, thus conferring a position of power at the very least. Ideally, a member of the new portion of the institution should be represented in new institution's cabinet or C-suite. The chief executive's cabinet should be restructured immediately upon consummation of the merger.

Even when the new merged unit is small and perhaps of a single discipline, such as law, medicine, or nursing, and even when a significant power gradient exists, the leadership of the merged university must take conscious steps to focus on the voice of the newcomer, without losing sight of the original power base. No matter how hard the chief executive of the merged

HEI tries, if that individual was not chosen through a democratic process by all parties—and, more so, came from one of the merger partners—that individual will always be seen as the leader *imposed* on the opposite party. Nonetheless, to allow the development of unassailable silos is to invite almost certain failure to meet merger and assimilation expectations.

### Culture Cannot Be Mandated, but Traditions Can Be Nurtured

When HEIs merge, there are traditions of each of the legacy institutions that will be critical to maintain, provided they are valued and that they create a positive atmosphere. There will also be a need to identify common traditions for the newly formed institution. Some HEIs find it useful to appoint for each campus a "Traditions Committee" that is designed to document current traditions and to create new ones as needed.

Building a tradition of excellence and a sense of pride can have lasting effects on the cultural betterment of an institution. During a merger, the level of "stakeholder pride" can dwindle, especially if those stakeholders do not see a commitment to building a better end product. A collective striving for excellence can enhance a culture, and it is the responsibility of leadership to lead the way.

### The Emergence of New Culture

Higher education professionals often refer to culture in terms of "building a culture of," such as a culture of engagement, inclusiveness, service, academic excellence, or respect. But an understanding of the culture of merged HEIs is more complex, and leadership will need to pay particular attention to even the small issues affecting morale. In a dissertation study of an institution four years postmerger, Wambach (2009) notes:

> Communication, especially incongruence between administrative actions and the values espoused by leadership, during a merger process is crucial to assimilation of pre-merger culture and development of the merged entity's culture. In addition, employees lower in the organizational hierarchy demonstrated greater concern for the personal effects of retrenchment actions than did those in middle and upper administrative levels. Another salient finding is that leadership should treat culture as a constantly evolving element within an organization. When leadership treats culture development as simply another project, separated from other aspects of organizational life, it is less likely to meet with success.

In discussing academic freedom and free speech, Thomas (2018) observes, "I realized that perhaps we (educators) have failed to articulate how important campus climates are to student learning, and how disruptive and unequal some climates can be." She further adds that avoidance, policing, and toxic cultures are problematic and contrary to strong campuses known to provide attentiveness to social cohesion. Perhaps the tenets of academic freedom are also strong lessons for merging institutions. Open dialogue, transparency of changes in policies or procedures, open and frequent communication, and respect for employees at every level of both legacy institutions are key ingredients to the creation of a positive new institutional culture.

In 1998, participants in the Glion Colloquium gathered in Switzerland to identify problems facing higher education in the United States and Western Europe at the turn of the century. In the resulting publication, Duderstadt (1999) outlined an action agenda for higher education leaders facing societal change, and those recommendations are applicable to any institution undergoing a cultural change brought on by a merger. He suggested seven agenda items for consideration by institutions in the midst of change (see box 17.1).

There is no formula to predict the type of higher education merger that will ultimately succeed. Rather, it is the process and the willingness to embrace change that will be the most important determinants of success. Other important determinants include the ability to respect history while moving forward, create a vision that is inclusive, understand data, tell the story, and communicate often and well. Craig (2004) identifies the following strategies to prepare organizational cultures for change:

- Exploring collective assumptions, beliefs, and values within the organization and identifying what needs to change
- Exploring mental models and developing shared vision and strategies
- Generating organizational attitudes and practices that assume change will occur and thus challenge the status quo as the norm
- Creating a climate of mutual trust and support
- Creating a participative environment that includes all stakeholders
- Fostering open and honest communication to encourage ongoing dialogue regarding the change process
- Clarifying the decision-making process

**Box 17.1 Considerations for Addressing Culture in HEIs in the Midst of Change**

1. Determine those key roles and values that must be protected and preserved during the period of transformation.
2. Listen carefully to society to learn and understand its changing needs, expectations, and perceptions.
3. Prepare the academy for change and competition by removing unnecessary constraints, linking accountability with privilege, and so forth.
4. Restructure university governance so that it responds to the changing needs rather than defending and perpetuating an obsolete past.
5. Develop a new paradigm for financing higher education to include new methods for internal resource allocation and management that enhance productivity.
6. Encourage experimentation by harvesting the best ideas. Reward success while tolerating failure.
7. Place a far greater emphasis on building alliances that address the broader and diverse needs.

*Source*: Adapted from J. J. Duderstadt, "The Twenty-First Century University: A Tale of Two Futures," in *Challenges Facing Higher Education at the Millennium*, ed. Werner Z. Hirsch and Luc Weber (Phoenix: American Council on Education / Oryx Press, 1999)

- Empowering members to self-manage and continually improve processes
- Encouraging risk taking, experimentation and an innovation-friendly climate without concern for reprisals
- Coping individually and institutionally with the anxiety associated with change
- Redesigning reward and incentive systems to recognize contributions and celebrate even small successes
- Leading by "walking the talk"
- Persevering patiently

There are many cultural issues that can be managed on many fronts, but undertaking the journey with transparency and a positive spirit of collaboration and respect goes a long way.

There is no formula to predict the type of higher education merger that will ultimately succeed. Rather, it is the process and the willingness to embrace change that will be the most important determinants of success.

### Leveraging the Clash of Cultures for Institutional Renewal

Leadership must understand the heightened level of chaos experienced by the faculty, students, and staff as well as by alumni and community members. Rather than attempting to ignore the discontent or quell the discussions, however, transparent communication becomes even more important. Cabinet members should understand that they must at times speak broadly for administration, and that they must be consistent in their messaging. Positively, the clash of cultures surrounding a merger may result in added energy, both internally and externally. The institutional ripples should be welcomed as an opportunity for dialogue, often resulting in a new and creative identity.

The merger of two HEIs can be considered a form of paradigm shift. The coinage "paradigm shift" is attributed to Thomas Kuhn in his groundbreaking book *The Structure of Scientific Revolutions* (1962). Kuhn pointed out that institutional tension builds during the early phases of a breakthrough. Indeed, tension may not only serve as an accompaniment, but it also may be the cause of new thinking. Kuhn further stressed that a significant change in the institutional mind-set may ultimately require a generational change before the paradigm shift can take deep root. The melding of two cultural infrastructures may generate tension and at times may result in significant personnel changes.

### The Strategic Planning Process as a Tool for Cultural Assimilation

Strategic planning is always important to an institution, as it provides a mechanism to debate and define its direction, goals, and strategies. It also allows for extensive input from all divisions and levels of the university. Strategic planning postmerger provides a much-needed opportunity for voices to be heard, cultural icons to be explored, and new ideas to surface.

This may be the first time that strategic planning is conducted across multiple campuses, since most mergers have combined single-campus HEIs into one. New rules of engagement should be considered, and level playing fields must be encouraged. If campuses are in geographical proximity, open discussions and targeted meetings can often be held on-site. Multiple campuses with significant geographic distance will likely need a combination of live streaming and occasional face-to-face meetings.

Care should be taken to designate a strategic planning leadership team composed of individuals who have the respect of each of the former institutions. More importantly, it must be clear that the process is to focus on the *future* of the new institution and its priorities, rather than lamenting the past. The strategic planning process should involve many faculty and staff, including some who were not as active during the premerger work groups. A diverse group of employees can have a powerful impact on future culture and identify shaping.

### Final Thoughts

Unfortunately, as Wambach (2009) reminds us, "failure to take the organizations' cultures into account when undergoing large amounts of change are usually realized in hindsight." We should keep in mind that while culture cannot be manufactured, having an understanding of the meaning and importance of culture, as well as an openness to apply flexibility to create positive change, will serve the institution well. Culture is made up of people with thoughts, ideas, and beliefs, and a new culture cannot develop well if one does not understand the individual angst created by a merger.

A merger will change the culture of an institution, including that of each campus. As difficult as change is, it is particularly important during the merger process that opportunities are explored to make the institution better, and not just different. "Change for the sake of change offers no benefits. But responsive and responsible change is the requirement for their continuing strength, and their continuing effectiveness" (Rhodes 1999). Above all, remember that merger is a process, not an event (Jacobs 2013). In chapter 18 we provide a vision of the future of mergers in higher education.

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# Part IV
# Looking to the Future

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# 18
# The Role of Mergers in Institutional Strategy

> If we take it seriously that knowledge is the most fundamental resource in our contemporary economy and that learning is therefore the most important process, what are the implications for the institutional set-up of the economy?
>
> —Lundvall and Johnson (2016)

> Our world is only at the start of a massive, long-term disruption cycle . . . Education is the key tool to manage the challenges ahead. The economies of the future will be knowledge-driven . . . However, our world has a problem, in that most education systems were built for the needs of the 20th century. Take higher education: it has not been designed to deliver the skills needed for the disruption ahead.
>
> —Hansen (2018)

This book is based on the hypothesis that mergers are becoming more widely recognized as a possible means to advance institutions of higher education. The current state of an existing college or university is increasingly perceived as a creature of *prior decisions* and less a creature of *unchangeable circumstances* (Musselin and Dif-Pradalier 2014).

Most HEI leaders naturally place themselves, their work, and their institutions somewhere at the forefront, or at least near the center, of the ever-encroaching global knowledge economy. At the same time, they are repeatedly reminded of the perceived shortcomings of higher education in general and, more poignantly, the gap between reality and the strategic ideal of their own HEIs. Justly or unjustly, the higher education establishment has be-

> The current state of an existing college or university is increasingly perceived as more a creature of *prior decisions* and less a creature of *unchangeable circumstances*.

come the target of increasing criticism regarding productivity, cost-effectiveness, and its contribution to society. The hard truth is that some leaders fail to recognize the impact that future trends and inevitabilities may have on a merger.

### Higher Education Futures

A number of challenges that the sector is currently facing will mold the future of higher education (see box 18.1). Peter Hinrichs, in his work at the Cleveland Federal Reserve, reminds us that while HEI leaders have fixed and constrained resources in the *short run* (e.g., revenues, expenditures, personnel, physical assets), the potential for material transformation of *each* HEI in the *medium run* is high (Hinrichs 2016a, 2016b, 2017). Historically, HEI mergers have been primarily the result of dismal financial circumstances, the need to reduce costs, or a need or wish to become bigger and more fiscally sound.

Mergers can also be a proactive tactic for institutional improvement, although we must also recognize that organizational consolidation (through mergers and organic growth) is a natural consequence of societal maturation —and it will happen whether we like it or not. Mergers are increasingly a part of the standard conduct of the business for higher education. Likewise, commercial organizations and industries in the United States and other countries have consolidated as they have matured. The US automobile industry is consolidated to perhaps three principal players and one potential disruptor. The airline industry, financial services, and the communication industries are consolidating rapidly. Some of these mergers have had a major impact on the industry and on the US economy as a whole. And while our economy depends heavily on innovation and start-ups, many start-ups that survive are acquired by or evolve into large national or international enterprises at some point. On the continuum of institutional consolidation, the industry of higher education is still young, but an increasing number of mergers and consolidations seems inevitable.

### Box 18.1 Higher Education Futures

1. **Revenues**
   a. Less governmental support from grants, student aid, and research
   b. Growth in strategic and leveraged philanthropy
   c. Growth in HEI–business sector partnerships
2. **Costs**
   a. Increased focus on efficiency and effectiveness of administrative and operational functions
   b. More investment in online academic offerings, leveraging innovative new technologies and artificial intelligence
   c. More investment in online student support and advising, leveraging innovative new technologies and artificial intelligence
   d. More "guaranteed or your money back" plans
   e. More shared services/partnership
3. **Competition**
   a. Continued and intensifying competition for students, talent, research funding, and reputation
   b. Competition will continue to be national and global
   c. Rewards of successful competition increasingly gained by the largest HEIs, with many smaller schools struggling to compete effectively
   d. Competition will drive innovation in the HEI business model
4. **Programming**
   a. Greater diversity in students served by each institution
   b. Greater variation in student preparation/approach
   c. Increased need for tailored services to meet the needs of a diverse student body
   d. More individualized/personalized education
   e. More emphasis on lifelong continuous learning and badging/certificates
   f. Less emphasis on degrees
5. **Research/ancillary/auxiliary**
   a. Greater firewalling of auxiliary businesses from core academic enterprise
   b. More public-private ventures
   c. Greater separation/accounting of research costs/revenues from educational mission

Higher education in America has traditionally served as a fundamental pillar of democracy and capitalism. But an existential reexamination of its value and sustainability is occurring. Perhaps such scrutiny and stress are characteristic of societal functions coming to maturation and similar to the merger realignment that has occurred in other industries. The specifics of consolidations, mergers, and acquisitions in higher education will probably be discussed and debated for many years, even though current data suggest that there are many more mergers to come. Resources will demand that assets be shifted toward more efficient and productive uses, with merger often seen as the most viable option.

### Mergers in Higher Education's Future

Organizational practices that are considered routine today (e.g., annual budgeting and control, project cost accounting, internal/external financials, program and operations audits, reorganizations, policy development, strategic planning, etc.) were not always so. Even though mergers will become increasingly common, it is likely that the implementations will, at least for the near-future, continue to be somewhat uneven and driven by the circumstances of each individual HEI. Like all of higher education, mergers will continue to evolve. Following are four tentative, descriptive, and normative generalizations that the authors have concluded, on the basis of analysis and research, about the future of mergers in higher education.

*More mergers, same reasons.* The drivers that foster merger consideration, including a growing number of "success" stories, will continue, and mergers are likely to grow in frequency and impact. The greatest change will likely be an increase in the proportion of HEI leaders pursing mergers as a proactive tactic to enhance their institutions, in addition to simply pursuing a merger as an alternative to closure.

The work of Lauren Russell (2018) of Dartmouth University is instructive here. Examining nonprofit HEI mergers between 2000 and 2015, she found that merged HEIs increased tuition and fees by 5% to 7% on average relative to nonmerging institutions in the same state and sector (public or nonprofit). At the same time, merging institutions increased institutional grant aid, which offset rising costs for students receiving financial aid. In brief, HEIs seemed to enjoy and act on improved market power to raise prices. In a separate study of the mergers occurring within the University

System of Georgia (the "Georgia Experiment"), Russell (2019) found that consolidations of these public institutions yielded greater completion rates, possibly because of the reinvestment of savings from scale economies into enhanced student services. Overall, it appears that recent mergers have had a positive fiscal and student impact.

As a consequence of increased interest in merging, it is likely that the process for finding partners will become more formal and systematic, possibly with a growth of intermediary "potential merger partner" search firms and services. Furthermore, as the number and variety of mergers increase, the need for external aid or consultants to assist in the consideration, negotiation, and implementation of mergers of HEIs will also increase.

*Public policy and mergers in higher education.* Mergers in the higher education sector will likely remain an active option for state and national governments seeking to advance public policy (education and economic development) agendas, or simply to better exert control, balance the budget, and enhance quality and capacity. Mergers will also remain an active option for individual (largely private) HEIs seeking to advance institutional strategic agendas. The result of these forces is apt to fuel the development of an increasing number of "voluntary" and "involuntary" mergers—although, as we posited previously, the perspective of most HEI stakeholders is that mergers are involuntary, regardless of whether initiated at the institutional level or above.

As HEIs' regional importance increases, state legislative concerns over the efficacy of its higher education system(s) may become a factor. The self-initiated critique of Pennsylvania's public higher education system (National Center for Higher Education Management Systems 2017) is, we think, symptomatic of state higher education policy makers' concern with the efficacy of their HEI systems, and with the potential limits of change from within those systems. A subsequent National Center for Higher Education Management Systems (NCHEMS) report cited major problems and called for major changes in Pennsylvania, with several notable exceptions that were "off the table," including mergers: "There should be no mergers of any State System institution with another that results in the loss of an institution's name, colors, symbols, or separate institutional accreditation" (National Center for Higher Education Management Systems, 2017).

The NCHEMS report had the effect of fueling concerns that serious system overhaul could not be achieved solely by system leadership (Association

of Pennsylvania State College and University Faculties 2018), and a subsequent study by RAND Corporation, commissioned by the Pennsylvania General Assembly, listed several relatively dramatic remedies that the NCHEMS report had ruled out (Goldman et al. 2018). Merger was one of five options presented by RAND:

> Option 2: Keep Broad State System Structure with Improvements Accompanied by Regional Mergers of Universities
>
> This preserves the state system's overall governance structure and the State System's functions but consolidates the current 14 universities into a smaller number, perhaps ranging from five to eight. (Goldman et al. 2018)

*Factors that blunt, but don't defeat, merger activity.* Despite the "rational" arguments for considering mergers in HEIs, enduring "industry-specific" characteristics of higher education may diminish the otherwise *significant* growth in mergers. While HEIs share many attributes of businesses where mergers and acquisitions (M&As) are common, the inherent characteristics of higher education set HEIs apart and increase merger difficulty, for example, diffuse constituents, incremental orientation, and deep ties to community politics (see also box 1.5 in chap. 1). Arguably, the single factor that most complicates the consideration, negotiation, and implementation of HEI mergers is the intense commitment to faculty autonomy ("shared governance"), both institutional and personal. Just as "leadership" issues may be the central key to merger success, "governance" issues may be the central challenge to successful merger consideration and completion.

*Leaders versus circumstances.* The central importance of HEI leadership seems to outweigh all other features of the merger process. As stated previously, while the current condition of an HEI can be perceived as the result of *prior decisions*, its future rests on *changeable circumstances*. The legacy of prior decisions constitutes the basis upon which the right leader can begin to build upon by addressing current circumstances. The successful merger leader is often an *overall* successful HEI leader, even before the merger. These individuals are transformative agents, often internal but may be external, to the merging HEIs. Because of the skill set that a merger demands, governing boards must become adept at both selecting these individuals and assisting them during the transitions.

### Questions for Further Study

Our study of mergers in HEIs has raised as many questions as it has answered, including questions that we suspect (hope) will be addressed in greater depth going forward. Despite a rapidly growing body of research on HEI mergers, several under-researched areas stand out, including negotiations, metrics of pre- and postmerger performance, and merger leadership development. Some of the questions follow:

1. What mechanisms can be implemented to better consider mergers and other transformations earlier in the strategic planning of HEIs? How can leaders inject these discussions into strategic thinking without creating unnecessary anxiety or backlash?
2. Are there more accurate, more comprehensive indicators of HEIs that would potentially benefit from merging, beyond simple predictors of closure?
3. Apart from transaction highlights, what are the salient details of each transaction for each partner, especially changes in financial position, changes in governance, and more sophisticated analytics of changes in pre- and postmerger market position?
4. How do the quality, character, and content of merger partner negotiations affect the outcome? Is there more to be learned about the process to improve the outcome, especially regarding improved constituent engagement?
5. How can the transition in communication between the closed phase that characterizes most merger considerations and negotiations in the open phase, which is necessary to move into once a decision is reached, be most positively affected and leveraged?
6. Can more objective pre- and postmerger HEI performance measures be created, specifically those that could be applied to subsequent mergers?
7. Given the minimal level of merger expertise held by most HEI leaders, how can expertise be acquired more broadly and systematically, and shared more widely among HEI constituents?
8. Do mergers accelerate the success of HEIs and their communities?

These and other HEI merger–related questions await future experience, research, and analysis.

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# Appendix A

## Mergers Occurring from 2000 to 2016 and Included in Analysis

| HEI 1 | | | | HEI 2 |
|---|---|---|---|---|
| Name | State | Sector | School Type | Name |
| Abraham Baldwin Agricultural College | GA | public | vocational | Bainbridge State College |
| Acadiana Technical College | LA | public | vocational | South Louisiana Community College |
| Albany State University | GA | public | comprehensive | Darton State College |
| American College of Traditional Chinese Medicine | CA | PNFP | niche (health) | California Institute of Integral Studies |
| Arizona State University | AZ | public | comprehensive | Thunderbird School of Management |
| Arkansas State University | AR | public | vocational | Delta Technical Institute |
| Armstrong State University | GA | public | comprehensive | Georgia Southern University |
| Ashland Community College | KY | public | vocational | Ashland Technical College |
| Ashland University | OH | PNFP | comprehensive | MedCentral College of Nursing |
| Atlanta College of Art | GA | PNFP | niche (arts) | Savannah College of Art and Design |
| Augusta State University | GA | public | comprehensive | Georgia Health Sciences University |
| Baker College Center for Graduate Studies | MI | PNFP | comprehensive | St. Francis School of Law |
| Baltimore Hebrew University Inc. | MD | PNFP | niche (religious) | Towson University |
| Baltimore International College | MD | PNFP | niche (culinary) | Stratford University |
| Baptist Theological Seminary | PA | PNFP | niche (religious) | Eastern University |
| Bard College | NY | PNFP | comprehensive | Longy School of Music |
| Baton Rouge Community College | LA | public | vocational | Capital Area Technical College |
| Berklee College of Music | MA | PNFP | niche (arts) | Boston Conservatory |
| Bexley Hall Seminary | IL | PNFP | niche (religious) | Seabury-Western Theological Seminary |

*Note:* Boldface indicates multi-institution system mergers. Abbreviations are as follows: CEUs, continuing education units; multi., multiple; N/A, not applicable; NDSU, North Dakota State University; NYU, New York University; PFP, private for-profit; PNFP, private not-for-profit; SIC, Seminary of Immaculate Conception; SUNY, State University of New York.

| State | Sector | School Type | Postmerger Name | Year |
|---|---|---|---|---|
| GA | public | vocational | Abraham Baldwin Agricultural College | 2017 |
| LA | public | vocational | South Louisiana Community College | 2012 |
| GA | public | vocational | Albany State University | 2015 |
| CA | PNFP | niche (health sciences) | California Institute of Integral Studies (including American College of Traditional Chinese Medicine) | 2015 |
| AZ | PNFP | niche (business) | Arizona State University | 2014 |
| AR | public | vocational | Arkansas State University–Newport (including the Marked Tree campus) | 2001 |
| GA | public | comprehensive | Georgia Southern University | 2017 |
| KY | public | vocational | Ashland Community and Technical College | 2003 |
| OH | PNFP | niche (nursing) | Ashland University | 2012 |
| GA | PNFP | niche (arts) | Savannah College of Art and Design | 2006 |
| GA | public | niche (medicine) | Georgia Regents University | 2012 |
| CA | PNFP | niche (law) | Baker College (including the Center for Graduate Studies) | 2013 |
| MD | public | comprehensive | Towson University (including the Baltimore Hebrew Institute) | 2009 |
| VA | PFP | vocational | Stratford University | 2011 |
| PA | PNFP | comprehensive | Palmer Theological Seminar | 2006 |
| MA | PNFP | niche (arts) | Bard College (including the Longy School Music) | 2012 |
| LA | public | vocational | Baton Rouge Community College | 2013 |
| MA | PNFP | niche (arts) | Berklee | 2016 |
| NY | PNFP | niche (religious) | Bexley Hall Seabury Western Theological Seminary Federation | 2012 |

*Continued*

| HEI 1 | | | | HEI 2 |
|---|---|---|---|---|
| Name | State | Sector | School Type | Name |
| Big Sandy Community College | KY | public | vocational | Big Sandy Technical College |
| Boston University | MA | PNFP | comprehensive | Wheelock College |
| Bridgemont Community and Technical College | WV | public | vocational | Kanawha Valley Community and Technical College |
| California Lutheran University | CA | PNFP | niche (religious) | Pacific Lutheran Theological Seminary |
| Central Bible College | MO | PNFP | niche (religious) | Evangel University |
| Champlain College | VT | PNFP | comprehensive | Woodbury Institute |
| City University of Seattle | WA | PNFP | comprehensive | Seminary of Immaculate Conception |
| Clarkson University | NY | PNFP | comprehensive | Union Graduate College |
| **Connecticut Community Colleges** | CT | public | vocational | **Connecticut Community Colleges** |
| Corban University | OR | PNFP | comprehensive | Northwest Baptist Seminary |
| Corcoran College of Art and Design | DC | PNFP | niche (arts) | George Washington University |
| Daniel Webster College | NH | PNFP | comprehensive | ITT Tech |
| Davenport College | N/A | PNFP | comprehensive | Detroit College of Business |
| Davenport College | N/A | PNFP | comprehensive | Great Lakes College |
| David Wolcott Kendal Memorial School | MI | PNFP | niche (arts) | Ferris State University |
| DePaul University | IL | PNFP | comprehensive | Barat College |
| Drexel University | PA | PNFP | comprehensive | MCP Hahnemann |
| Dunwoody College of Technology | MN | PNFP | comprehensive | NEI College of Technology |
| Fletcher Technical Community College | LA | public | vocational | South Central Louisiana Technical College |
| Fordham University | NY | PNFP | comprehensive | Marymount College |
| Fresno Pacific University | CA | PNFP | comprehensive | Mennonite Brethren Biblical Seminary |

| State | Sector | School Type | Postmerger Name | Year |
|---|---|---|---|---|
| KY | public | vocational | Big Sandy Community and Technical College | 2003 |
| MA | PNFP | niche (education) | Boston University | 2017 |
| WV | public | vocational | BridgeValley Technical and Community College | 2014 |
| CA | PNFP | niche (religious) | California Lutheran University | 2014 |
| MO | PNFP | niche (religious) | Evangel University | 2013 |
| VT | PNFP | comprehensive | Champlain College (including the Woodbury Institute) | 2010 |
| NY | PNFP | niche (religious) | National University System (including the City University of Seattle) | 2013 |
| NY | PNFP | comprehensive | Clarkson University | 2016 |
| CT | public | vocational | **ongoing** | 2017 |
| WA | PNFP | niche (religious) | Corban University | 2010 |
| DC | PNFP | comprehensive | Corcoran School of Art–George Washington University | 2014 |
| Multi. | PFP | vocational | ITT Tech (until it closed in 2016) | 2009 |
| Multi. | PNFP | niche (business) | Davenport University | 2000 |
| Multi. | N/A | comprehensive | Davenport University | 2000 |
| MI | public | comprehensive | Ferris State University (including the Kendall College of Art and Design) | 2000 |
| IL | PNFP | comprehensive | DePaul University | 2001 |
| PA | PNFP | niche (medicine) | Drexel University | 2002 |
| MN | PNFP | comprehensive | Dunwoody College of Technology | 2003 |
| LA | public | vocational | Fletcher Technical Community College | 2017 |
| NY | PNFP | comprehensive | Fordham University (including Marymount College) | 2016 |
| CA | PNFP | niche (religious) | Fresno Pacific University (including the Biblical Seminary) | 2011 |

*Continued*

| HEI 1 | | | | HEI 2 |
|---|---|---|---|---|
| Name | State | Sector | School Type | Name |
| Georgia Institute of Technology | GA | public | comprehensive | Institute of Paper Science and Technology |
| Georgia State College | GA | public | comprehensive | Perimeter College |
| **Georgia Technical Colleges** | GA | public | vocational | **Georgia Technical Colleges** |
| H. Council Trenholm State Community College | AL | public | vocational | John M. Patterson Technical School |
| Hamline University | MN | PNFP | comprehensive | William Mitchell College of Law |
| Highland Community College | KS | public | vocational | Northeast Kansas Technical Center |
| Husson University | ME | PNFP | comprehensive | New England School of Communications |
| Jefferson Community College | KY | public | vocational | Jefferson Technical College |
| Jesuit School of Theology | CA | PNFP | niche (religious) | Santa Clara University |
| Johnson University | TN | PNFP | comprehensive | Florida Christian College |
| Keiser University | FL | PFP | comprehensive | Northwood University |
| Kennesaw State University | GA | public | comprehensive | Southern Polytechnic State University |
| Kent State University | OH | public | comprehensive | Ohio College of Podiatric Medicine |
| **Kentucky Technical Colleges** | KY | public | vocational | **Kentucky Technical Colleges** |
| Lancaster Bible College | PA | PNFP | niche (religious) | Washington Bible College-Capital Bible Seminary |
| Lawson State Community College | AL | public | vocational | Bessemer State Technical College |
| Lenoir-Rhyne University | NC | PNFP | comprehensive | Lutheran Theological Seminary |
| Lesley College | MA | PNFP | comprehensive | Art Institute of Boston |
| Lincoln College of New England | CT | PFP | comprehensive | Briarwood College |
| Lincoln College of New England | CT | PFP | comprehensive | Clemens College[1] |

| State | Sector | School Type | Postmerger Name | Year |
|---|---|---|---|---|
| GA | PNFP | niche (science) | Georgia Tech | 2003 |
| GA | public | comprehensive | Georgia State College | 2015 |
| GA | public | vocational | **multiple** | 2009–14 |
| AL | public | vocational | H. Council Trenholm State Community College | 2002 |
| MN | PNFP | niche (law) | Mitchell-Hamline School of Law | 2015 |
| KS | public | vocational | Highland Community College | 2008 |
| ME | PNFP | niche (communications) | Husson University | 2014 |
| KY | public | vocational | Jefferson Technical and Community College | 2005 |
| CA | PNFP | comprehensive | Santa Clara University (including the Jesuit School of Theology) | 2009 |
| FL | PNFP | comprehensive | Johnsons University Florida | 2013 |
| FL | PNFP | comprehensive | Keiser University | 2015 |
| GA | public | comprehensive | Kennesaw State University | 2013 |
| OH | PNFP | niche (medicine) | Kent State University | 2012 |
| KY | public | vocational | **Kentucky Community and Technical College System** | 2001–7 |
| MD | PNFP | niche (religious) | Lancaster Bible College | 2013 |
| AL | public | vocational | Lawson State Community College | 2005 |
| SC | PNFP | niche (religious) | Lenoir–Rhyne University | 2012 |
| MA | PNFP | niche (arts) | Lesley University | 1998–2001 |
| CT | PFP | comprehensive | Lincoln College of New England | 2010 |
| CT | PFP | comprehensive | Lincoln College of New England | |

*Continued*

| HEI 1 | | | | HEI 2 |
|---|---|---|---|---|
| Name | State | Sector | School Type | Name |
| **Louisiana Technical Colleges** | LA | public | vocational | **Louisiana Technical Colleges** |
| Macon State College | GA | public | comprehensive | Middle Georgia College |
| Massachusetts College of Pharmacy and Health Sciences University | MA | PNFP | niche (health) | New England School of Acupuncture |
| Medical University of Toledo | OH | public | niche (medicine) | University of Toledo |
| Michigan Theological Seminary | MI | public | niche (religious) | Moody Bible Institute |
| Middlebury College | VT | PNFP | comprehensive | Monterey Institute of International Studies |
| Milligan College | TN | PNFP | comprehensive | Emmanuel Christian Seminary |
| Montgomery College | MD | public | vocational | School of Art and Design |
| NYU | NY | PNFP | comprehensive | Polytechnic Institute |
| North Dakota State University | ND | public | comprehensive | Sanford School of Nursing |
| Pacific Oaks College | CA | PNFP | comprehensive | Chicago School of Professional Psychology |
| Pennsylvania State University | PA | public | comprehensive | Dickinson Law |
| Philadelphia University | PA | PNFP | comprehensive | Thomas Jefferson University |
| Piedmont International University | NC | PNFP | niche (religious) | Tennessee Temple University |
| Piedmont International University | NC | PNFP | niche (religious) | Spurgeon Baptist Bible College |
| Piedmont International University | NC | PNFP | niche (religious) | John Wesley University |
| Purdue University | IN | public | comprehensive | Kaplan University |
| Rutgers University | NJ | public | comprehensive | University of Medicine and Dentistry |
| Rutgers University Law School–Camden | NJ | public | niche (law) | Rutgers University Law School–Newark |
| St. Joseph's Seminary and College | NY | PNFP | niche (religious) | Seminary of Immaculate Conception (SIC) |
| School of the Museum of Fine Arts | MA | PNFP | niche (arts) | Tufts University |

| State | Sector | School Type | Postmerger Name | Year |
|---|---|---|---|---|
| LA | public | vocational | **multiple** | 2004–11 |
| GA | public | vocational | Middle Georgia State University | 2012 |
| MA | PNFP | niche (health sciences) | Massachusetts College of Pharmacy and Health Sciences / University | 2010 |
| OH | public | comprehensive | University of Toledo | 2006 |
| IL | PNFP | niche (religious) | Moody Bible Institute (including Moody Theological Seminary–Michigan) | 2010 |
| CA | PNFP | niche (international) | Middlebury College | 2010 |
| TN | PNFP | niche (religious) | Milligan College (including the School of Bible and Ministry) | 2015 |
| MD | PNFP | niche (arts) | Montgomery College (including the School of Art and Design) | 2004 |
| NY | PNFP | niche (stem) | NYU Polytechnic School of Engineering | 2014 |
| ND | PNFP | niche (nursing) | NDSU Nursing at Sanford Health | 2014 |
| IL | PNFP | niche (psychology) | **merger apparently not consummated** | 2013 |
| PA | public | niche (law) | Penn State University | 2000 |
| PA | PNFP | comprehensive | Thomas Jefferson University | 2017 |
| TN | PNFP | niche (religious) | Piedmont International University | 2015 |
| FL | PNFP | niche (religious) | Piedmont Baptist College and Graduate Schools (now Piedmont International University) | 2004 |
| NC | PNFP | niche (religious) | Piedmont International University | 2017 |
| N/A | PFP | comprehensive | Purdue University Global | 2017 |
| NJ | public | niche (medicine) | Rutgers University (including the School of Biomedical and Health Sciences) | 2013 |
| NJ | public | niche (law) | Rutgers Law School | 2016 |
| NY | PNFP | niche (religious) | SIC merged with Saint Joseph's Seminary to become St. Joseph's Seminary | 2011 |
| MA | PNFP | comprehensive | Tufts University | 2016 |

*Continued*

| HEI 1 | | | | HEI 2 |
|---|---|---|---|---|
| Name | State | Sector | School Type | Name |
| Snow College | UT | public | vocational | Sevier Tech Institute |
| South Georgia College | GA | public | vocational | Waycross College |
| Southeastern University | DC | PNFP | comprehensive | Graduate School |
| Southern New England School of Law | MA | PNFP | niche (law) | University of Massachusetts |
| Southwest Georgia Technical College | GA | public | vocational | Moultrie Technical College |
| St. John's University | NY | PNFP | comprehensive | College of Insurance |
| SUNY Stony Brook University | NY | public | comprehensive | Southampton College of Long Island University |
| Texas A&M University | TX | public | comprehensive | Texas Wesleyan University |
| University of Colorado Denver | CO | public | niche (medicine) | University of Colorado Health Sciences |
| University of New Hampshire | NH | public | comprehensive | Franklin Pierce Law Center |
| University of New Haven | CT | PNFP | comprehensive | Lyme Academy College of Fine Arts |
| University of North Georgia | GA | public | comprehensive | Gainesville State College |
| University of Texas at Brownsville | N/A | public | comprehensive | University of Texas–Pan-American |
| University of West Los Angeles | CA | PNFP | niche (law) | San Fernando Valley College of Law |
| US International University | CA | PNFP | comprehensive | California School of Psychology |
| US International University | CA | PNFP | comprehensive | San Francisco Law School |
| Utah State University | UT | public | comprehensive | College of Eastern Utah |
| Weston Jesuit School of Theology | MA | PNFP | niche (religious) | Boston College |

| State | Sector | School Type | Postmerger Name | Year |
|---|---|---|---|---|
| UT | public | vocational | Snow College | 2003 |
| GA | public | vocational | South Georgia State College | 2012 |
| DC | PNFP | niche (public sector) | Graduate School USA (no longer accredited to offer degrees, just CEUs) | 2010 |
| MA | public | comprehensive | Southern New England School of Law | 2010 |
| GA | public | vocational | Southern Regional Technical College | 2015 |
| N/A | PNFP | niche (business) | St. John's University (including the School of Risk Management, Insurance, and Actuarial Science) | 2001 |
| NY | PNFP | comprehensive | Stony Brook University | 2006 |
| TX | PNFP | comprehensive | Texas A&M School of Law | 2013 |
| CO | public | niche (medicine) | University of Colorado Denver and Health Sciences Center, now University of Colorado-Denver and the University of Colorado Anschutz Medical Campus | 2004 |
| NH | PNFP | niche (law) | University of New Hampshire (including the School of Law) | 2011 |
| CT | PNFP | niche (arts) | University of New Haven | 2002 |
| GA | public | vocational | University of north Georgia | 2013 |
| N/A | public | comprehensive | University of Texas Rio Grande Valley | 2015 |
| N/A | PNFP | niche (law) | University of West Los Angeles | 2002 |
| CA | PNFP | niche (health sciences) | Alliant International University | 2001 |
| CA | PNFP | niche (law) | Alliant International University | 2001 |
| UT | public | vocational | Utah State University Eastern | 2007 |
| MA | PNFP | comprehensive | Boston College (including the School of Theology and Ministry) | 2008 |

# Appendix B

## Example Functional Areas for Integration Using Project Management during a Merger

Each of the functional areas may be addressed by a separate functional team or work group, or more than one area may be addressed by the same team or work group, as noted in the project's charter and team charge.

- **Academic Affairs**
  - Academic programs (with separate functional teams for any program/college/school merging)
  - Graduate programs
  - Online programs
  - Continuing education programs
  - International programs and outreach
  - Enrollment and admissions
  - Tuition and fees
  - Libraries (there may be a need for separate work groups for each institution's library)
  - Accreditation
  - Institutional research
  - Title IX coordination
- **Student Affairs**
  - Student support services
  - Student financial aid
  - Student health and wellness
  - Student success
  - Student life, activities, and programs
  - Student housing
  - Student media (newspaper, radio, etc.)
  - Student judicial affairs
  - Student governance

- **Faculty Affairs**
  - Faculty credentialing
  - Faculty appointment, promotion, and tenure
  - Faculty equity
  - Faculty development and satisfaction
  - Faculty handbook and policies
  - Faculty governance
- **Staff Affairs**
  - Staff job descriptions
  - Staff equity
  - Staff development and satisfaction
  - Staff handbook and policies
- **Policy Development and Policy Library**
  - Premerger
  - Postmerger
  - Policy library
- **Diversity, Equity, and Inclusion**
  - Administration
  - Programs
- **Administrative Services**
  - Organizational reporting structure
  - Finance
  - Facility management
  - Human resources
  - Supply chain / procurement
  - Legal
  - Auxiliaries
  - Safety and security
  - Strategic planning
  - Business development
  - Organization/change management
- **Information Technology**
  - Infrastructure

- Communication
- End-point services and support
- Enterprise and departmental systems
- Instructional systems and support
- Cybersecurity

- **Research**
  - Facilities and administrative costs/reimbursement
  - Human research
  - Animal research
  - Pre-award sponsored programs administration
  - Post-award sponsored programs administration
  - Technology transfer
  - Research organization/foundation

- **Athletics**
  - Conference/division
  - Programs
  - Student-athlete wellness and success

- **External Relations**
  - Branding
  - Communication / public relations
  - Government affairs

- **Audit, Compliance, and Risk Management**
  - Audit
  - Compliance
  - Enterprise risk management

- **Advancement**
  - Advancement
  - Advancement organizations/foundations

- **Alumni Affairs**
  - Alumni services
  - Alumni organizations

- **Symbols, Ceremonies, and Traditions**
  - Symbols
  - Ceremonies
  - Traditions
  - Celebrating early wins and success

# Appendix C

## Example Standardized Forms Used for Project Management during a Merger

Key to an effective project management system during a merger in higher education will be the use of standardized forms and templates. Following are examples of such forms, which have been modified from similar documents used in the Augusta State University and Georgia Health Sciences University merger (Beth Brigdon, "Controlling for Change: A Consolidation Case Study," Georgia Conference for College and University Auditors, May 20, 2013, https://pdfs.semanticscholar.org/presentation/8456/bc54a3a07e2431421c97ed075c24e1972844.pdf).

— Project Charter
— Work Team Charge Report
— Work Team Planning Document
— Work Team Meeting Agenda
— Work Team Action Minutes
— Work Team Status Report

## Project Charter

| Potential Project Name/Title | Date |
|---|---|
| | |

| Requested By | Charter Prepared By |
|---|---|
| | |

| Background and Business Need |
|---|
| |

| Project Scope Statement |
|---|
| |

| Project Objectives/Deliverables |
|---|
| |

| Boundaries |
|---|
| |

| Assumptions | | | |
|---|---|---|---|
| | | | |
| External Dependencies | | | |
| | | | |
| Project Risks | | | |
| | | | |
| Key Stakeholders | | | |
| Stakeholder | Role or Interest in the Project | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Required Resources | | | |
| | | | |
| Requested Time Line / Milestones *Include end and start dates and key milestones.* | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Approvals | | | |
| | Date | | Date |
| | Date | | Date |

| Key Resources |
| --- |
| Names |
| |
| |
| |
| |
| |

| Sponsor |
| --- |
| Names |
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| Project Leaders |
| --- |
| Names |
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| Core Team |
| --- |
| Names |
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## Work Team Charge

| | |
|---|---|
| Work Team Name | |
| Work Team Purpose | |
| Project Background | |
| Sponsoring Group | |
| Co-Leaders | |
| Members | |
| Responsibilities and Deliverables | |
| Boundaries | |
| Budget/Resources | |
| Meeting Schedule | |
| Operating Guidelines | |

## Work Team Planning Document

| | |
|---|---|
| Work Team Name | |
| Work Team Leadership | |
| Work Team Members and Other Resources | |

Situation Analysis

| Area | Institution 1 Current State | Institution 2 Current State |
|---|---|---|
| Number and Types of Full-Time Equivalents *(attach current organization charts)* | | |
| Key Services Offered | | |
| Key Stakeholders for Whom Services Are Provided | | |

| Area | Institution 1 Current State | Institution 2 Current State |
|---|---|---|
| Physical Locations and Description | | |
| Information Technology Systems Used | | |
| External Compliance Responsibilities | | |
| Key Policy Differences That Will Need to Be Reconciled | | |
| Other Key Data | | |

Potential Risks

| Potential Risks | Prevention/Mitigation Strategy |
| --- | --- |
| | |

| Potential Risks | Prevention/Mitigation Strategy |
| --- | --- |
| | |

| Potential Risks | Prevention/Mitigation Strategy |
| --- | --- |
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| Potential Risks | Prevention/Mitigation Strategy |
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## Opportunities

*Outline the opportunities that will result from the merger.*

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## Lessons Learned from Peers Who Have Experienced a Merger

*If appropriate, reach out to your peers at institutions that have experienced consolidation and ask what they wish they had done differently during their merger efforts.*

| Lessons Learned |
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Team Deliverables

| Key Deliverables for Accreditor Prospectus |
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| Key Deliverables for Implementation within 30 Days of Accreditor Approval |
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| Key Deliverables for Site Visit Report |
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| Key Immediate Deliverables: 0 to 6 months |
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| Key Short-Term Deliverables: 1 to 2 years |
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| Key Future Deliverables: 3 to 5 years |
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Major Tasks and Milestones

| Major Tasks | Time Line / Milestone |
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## Work Team Meeting Agenda

| Merger Work Team Meeting Name | | | | | |
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| Meeting Date | | Time | | Location | |
| Meeting Leader | | | | Gatekeeper | |
| | | | | Scribe | |
| Meeting Purpose | | | | | |
| Meeting Preparation | | | | | |

| Time | Agenda Items | Process/Responsible |
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| ACTION Items | | | |
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| Status | Action to Be Taken | Responsible | Due Date |
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| DECISIONS Reached | Decision Date |
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Agenda Items for Next Meeting

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Team Members and Meetings

| Team Members | Date | Date | Date | Date | Date | Date | Date | Date | Date |
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## Work Team Action Minutes

| Merger Action Team Name | | | | | |
|---|---|---|---|---|---|
| Meeting Date | | Time | | Location | |
| Meeting Leader | | | | Gatekeeper | |
| | | | | Facilitator and Scribe | |
| Meeting Purpose | | | | | |

| Agenda Items | Process/Responsible |
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| ACTION Items | | | |
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| Status | Action to Be Taken | Responsible | Due Date |
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| DECISIONS Reached | Decision Date |
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Agenda Items for Next Meeting

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Consolidation Action Team Members Attendance

| Name | Meeting Dates | | | | | | | | |
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Miscellaneous Notes

## Work Team Status Report

Work Team Name: _____

What has been accomplished by the work team since the last report?

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What activities/tasks are planned next?

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| Critical issues to be addressed | Recommendations |
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Time line and high-level tasks

| Description of Tasks/Milestones | Time Frame | Responsible |
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Open Positions

*Please list any positions open in your respective areas. Please complete the following information for each position:*

Position title: _____ Position #: _____

Current Organization: ☐ Name 1 ☐ Name 2 ☐ Name 3 ☐ Name 4

Department:

Recommendation for Filling: ☐ Leave Vacant ☐ Recruit Internally ☐ Recruit Externally ☐ Make Joint Appointment

Other recommendations:

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